



Claire-Juliette Beale

Online Communities: Part II

Creating your own online community — how to avoid the pitfalls

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Online communities continue to stir up the world of new product development. Claire-Juliette Beale explored the potential of this world in the first part of this series in the December 2008 issue of *Visions*.¹ In this article, she explains how companies of all sizes can create their own online communities and how they can avoid some of the most common pitfalls to create a useful vehicle for consumer research, product development, and sales.

Online communities form an exciting portion of the exploding Web 2.0 social networking space. There are many success stories, such as Hallmark, Nike, and J&J, but there are also many failures and lessons painfully learned that are not often talked about. Online communities is an emerging field, and like all new product development in a field where technology is new, online communities includes risks that cannot be fully estimated at this time. However, there is a growing body of knowledge around online communities best practices and principles. (See box below.)

Best Practices in the Creation of Online Communities

- Members' needs come first
- Technology comes last
- Traditional marketing and communications methods do not work
- Online communities require sustained management
- Metrics must fit with the strategy

SOURCE: The Author

How to create an online community

Conveniently for us, whether getting involved in online communities for project/tactical reasons or for strategic reasons, we can apply a new product development and management approach.

Phase 1: Strategy and planning

The organization must first learn about online communities and determine whether engaging in online communities serves its strategy. We can refer to my previous article in the December edition of *Visions*¹ and to the reading list that is below this article as further starting points. The next tasks are consider goals, outline one clear objective, and develop a road map to get to the objective that includes the type of engagement sought with the community as well as from it. (See Exhibit 1 on page 16.)

The plan should be flexible and allow for the opportunity to scale up the effort over time.

Value analysis will be conducted for both the organization and community users. The value to the organization should be at least equal or superior to the value to the user to justify the investment. Users and their technographics fit will be researched and assessed. The online community ecosystem will be assessed. Direct and indirect costs will be computed. Management of change and internal education and training issues will be considered. Key questions will include the following:

- Do we engage in existing communities, acquire an existing community, or build a community? If the third option, do we design and build it all in-house or do we outsource?
- Do we have all the expertise and resources required, or do we bring in experts?
- How will we measure our success?
- What solution and provider best serve our community needs and our needs and fit with our organization?

Considerations at this point may include whether to use an open-source solution or a commercial product, and whether to outsource community management. It is noteworthy that of the three organizations covered in our first article—Netgear, Del Monte, and Hallmark—all outsource community management. Netgear's experience with its first customer support community led to the full outsourcing of its online communities

to partner Capable Networks. Del Monte's private research communities' management is conducted by Market Tools. Hallmark, which initially had five people dedicated to its private research communities, eventually outsourced to its partner Communispace, and it now has one person devoting half his or her time to its communities. Finally, the team will be built—including an executive champion, a community evangelist, and a community manager. These individuals should be known for their ability and impulse to be the customer's advocate.

“One cannot overstress the importance of applying good user-centered design and user-interface design principles in this phase.”

Phase 2: Design and development

Certain activities are often conducted in parallel, such as contents development, community design, marketing and promotion as well as community management planning efforts. One cannot

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overstress the importance of applying good user-centered design and user-interface design principles in this phase and of establishing clear lines of responsibility and guidelines and processes, particularly for projects where multiple departments will be im-

acted. As pointed out by Scott Palmer, Web Channel Strategy Manager responsible for Intel Channel Voice’s main community of 200,000 resellers, “While architecture needs must be addressed, an online community should not be designed like a website.”² Key questions will include the following:

- What do we want our users’ experience and behavior to be?
- What contents, applications, and widgets will be valuable to our users?
- What will be our community policy?
- How do we translate our brand values and attributes to the community, and turn aspiration into action?
- Which metrics will accurately measure our success and how will we capture those metrics?
- How will we jump-start (that is, populate) and grow our community?

Exhibit 1: Community Goals

Goals	Applications
<i>Listening</i>	Collect new ideas; customer feedback; NPD, marketing, and customer support.
<i>Observing</i>	Trend-spotting. Netnography; identify unmet opportunities.
<i>Speaking</i>	Create an emotional attachment; participate in and stimulate 3-way conversations; marketing; advertising
<i>Energizing</i>	Promotion and sales.
<i>Supporting</i>	Enable peer-to-peer support for development and customer service.
<i>Embracing</i>	Members as contributors to key business process and decisions: NPD, marketing, and so on.

SOURCE: The Author

This phase will culminate with soft launch for QA (quality assurance), testing, and refinement.

It is a good time to start training key stakeholders and to test cross-department collaboration and dynamics.

Phase 3: Launch and management

With rollout, companies face an exciting but dangerous time. Marketing and promotion launch activities are in full swing and, in some cases, they can lead to extremely fast growth. However, fast growth does not mean that the community is successful, just as slow growth does not mean it is unsuccessful. Most communities need at least six months and generally over a year to reach their maturity phase! There’s still a role for traditional “two-way communication,” as the vast majority of community members are passive. But active listening, identifying creators and critics and engaging in dialogue with them, and encouraging participation are now critical, and as noted previously, most organizations are inadequately prepared for this. Eventually, the community goes into management mode and community upgrades or other decisions affecting the user’s experience are made. *It is critical to keep the user at the heart of any decision process and informed of changes ahead of time.* Users join the community because they believe their opinions matter. In addition, they are resistant to change. This guideline will help to prevent any backlash.

**Avoiding the pitfalls
New product development**

NPD teams at companies need to consider a number of issues carefully in order to create a successful online community for their organizations. Although the upside of online communities is that they can be used across the NPD process as well as at any phase of the NPD process, there are pitfalls listed in the box on page 17. Here are some details on these common challenges—and how to deal with them.

**1. Limitations of the NPD process itself—
incremental innovation**

Online communities lead mostly to incremental innovation, not breakthrough innovation. Out of the 10,000 ideas generated by Dell’s IdeaStorm community of 1 million unique users, only 4 percent of all ideas were truly innovative. Eighty percent of the ideas were incremental improvements to existing products and services, or incremental ideas for next-generation products. Twelve percent of the ideas were deemed unusable.³ Another area where caution must be applied is when using online communities to conduct consumer research and to make decisions. Private online communities have proven their value to qualitative understanding of consumers. However, there is little research to benchmark and analyze the data obtained from online communities. For instance, how reliable are consumer ratings?

Online communities should be considered a new tool that brings new benefits, such as the ability to engage with consumers qualitatively and longitudinally at the blink of an eye and the ability to provide “indications,” but they should not be thought of as a replacement to other qualitative methods and to quantitative validation with representative samples.

Common Pitfalls in Creating an Online Community

1. NPD limitations—incremental innovation
2. Underestimating online community management
3. Unrealistic expectations
4. People, control, and communications
5. User experience
6. Unclear metrics
7. Legal considerations
8. Technology threats

SOURCE: The Author

2. Underestimating the management task

Many organizations underestimate the task or the cost of managing an online community, and in particular, the level of staffing required. Bill Johnston, Chief Community Officer, Forum One Networks, says, “99% of the time organizations do not think about the long haul implications of building an online community, and in particular the level of maintenance required to engage with and manage the community.”⁴

Although staffing needs vary depending on the type of community and its intended size and users, a large-size project can require three to six full-time individuals, including an evangelist, a manager responsible for design and hosting, and a moderator/content creator. A community of 200 to 300 members requires one manager part time. Consumer-insights applications require even more staffing as well as specialized staffing. Anticipate two facilitators for each community.

3. Unrealistic expectations

Organizations that invest in online communities tend to do so with unrealistic expectations. Launching an online community requires a thoughtful analysis of its expected value to the organization and to the user, and the recognition that only a very small number of users are likely to create content and be active in the community.

Budgeting requires evaluating upfront not just technology costs (if applicable) as well as the labor related to project start, internal education and training, and ongoing management. In addition, communities have a life cycle, and it often takes more than a year before the community reaches maturity—that is to say, the point at which solid relationships start developing.

4. People, control, and communications

Launching and engaging in a community means losing at least some control to members and having a dialogue with them, and both go against the grain of corporate cultures.

In addition, most organizations do not understand that online communities require a different attitude, listening skills, and a new level of agility in order to react to and to moderate discussions. Some organizations have been burned by negative talk about their company or their products. However, the problem is not the negative talk as much as it is the reaction (or lack of) to the talk. Community moderators can move swiftly to virtually deal with those individuals who threaten the brand or the community. There is also the option of having a third-party website host your community, and therefore, you can avoid having the negative comments on your website!

Capturing the opinion of all experts, Martin Reed, founder of the community blog Community Spark, recommends, “If members are complaining about your product or service, you need to take the time to respond and address their concerns. ...Negatives can be turned into positives. What’s more, your community may highlight concerns that you didn’t even realize existed.”⁵

One cannot overstate the importance of choosing and training (if necessary) the individuals who will speak to community and facilitate it—as they are the live voice of your brand—and of setting up internal cross-department collaboration processes for quick reaction to threats and issues.

5. User experience

Design is a key ingredient to the success of online communities well after launch. As content starts to amass, it becomes hard to keep the site organized and clear, particularly when the community site features advertising. How to keep it simple becomes a critical question. For example, as online community Odadeo (www.odadeo.com)—which has a very clear layout and constant prompts to help direct visitors and members—becomes busier and less clear, it struggles with how to best organize their content once people get to the questions page (www.odadeo.com/questions). (See Exhibit 2 on page 18 and Exhibit 3 on page 19.)

6. Unclear metrics

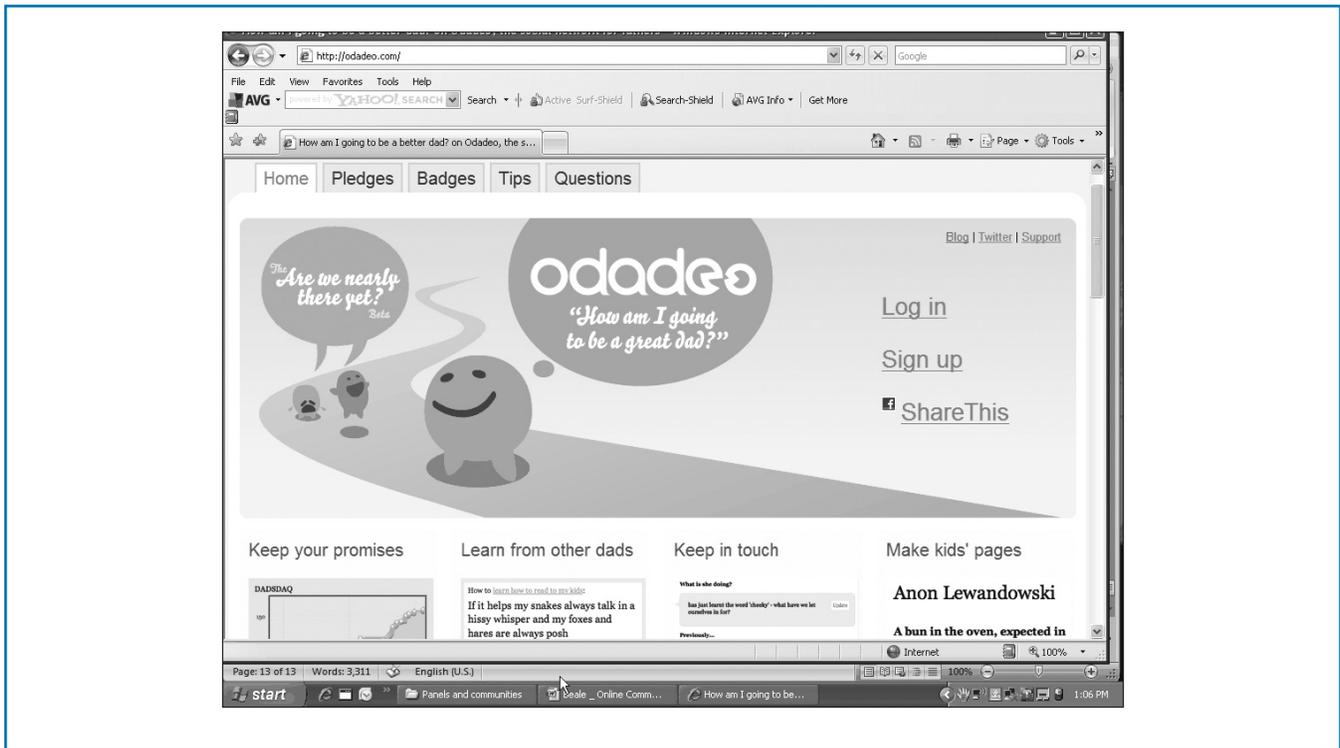
Thorough information on return of investment (ROI) and metrics is hard to come by, reflecting how online communities are still in their infancy. The consensus is that open online communities can drive product sales and upsale, and private online communities increase NPD and NPD-client team productivity and help reduce market research cost and NPD cycle time.

Research, including the Web User and Web Community survey by Rubicon Consulting,⁶ confirms what many organizations find as they talk to their customers: Online communities have a huge influence, and online comments and reviews posted online are second only to word of mouth as a purchase driver.

The consumer insight applications of private online communities are proven as well. For Hallmark, a pioneer in the use of private online communities, they are well worth the investment. With 150

“Many organizations underestimate the task or the cost of managing an online community.”

Exhibit 2: Odadeo.com's Landing Page



SOURCE: Odadeo.com

to 300 projects per year, the ROI is 400 percent (comparing with traditional project costs), with the added benefits of faster and continuous insights. In addition, Hallmark charges access to the communities and use of them to Business Units.

There are ways to offset costs and generate money beyond controversial pop-up and interstitial advertising, particularly for those online communities that are designed to support product launch, build the brand, and provide customer service.

“There are ways to offset costs and generate money beyond controversial pop-up and interstitial advertising.”

Although they offer some value, traditional web statistical measures such as search engine optimization (SEO) and search engine marketing (SEM) aren't enough when it comes to online communities, and professionals are still

learning what the right metrics are. Traditional metrics don't adequately measure or help understand “engagement,” or the contribution the community is making to the brand equity.

7. Legal considerations

Considerations include ownership of participant content, confidentiality, and privacy.

Organizations that use online communities for ideation and innovation purposes face risks similar the ones met in the outside submission of new ideas. To avoid copyright or infringement situations, organizations must issue a clear service agreement that includes terms similar to focus groups and have the user agree to it.

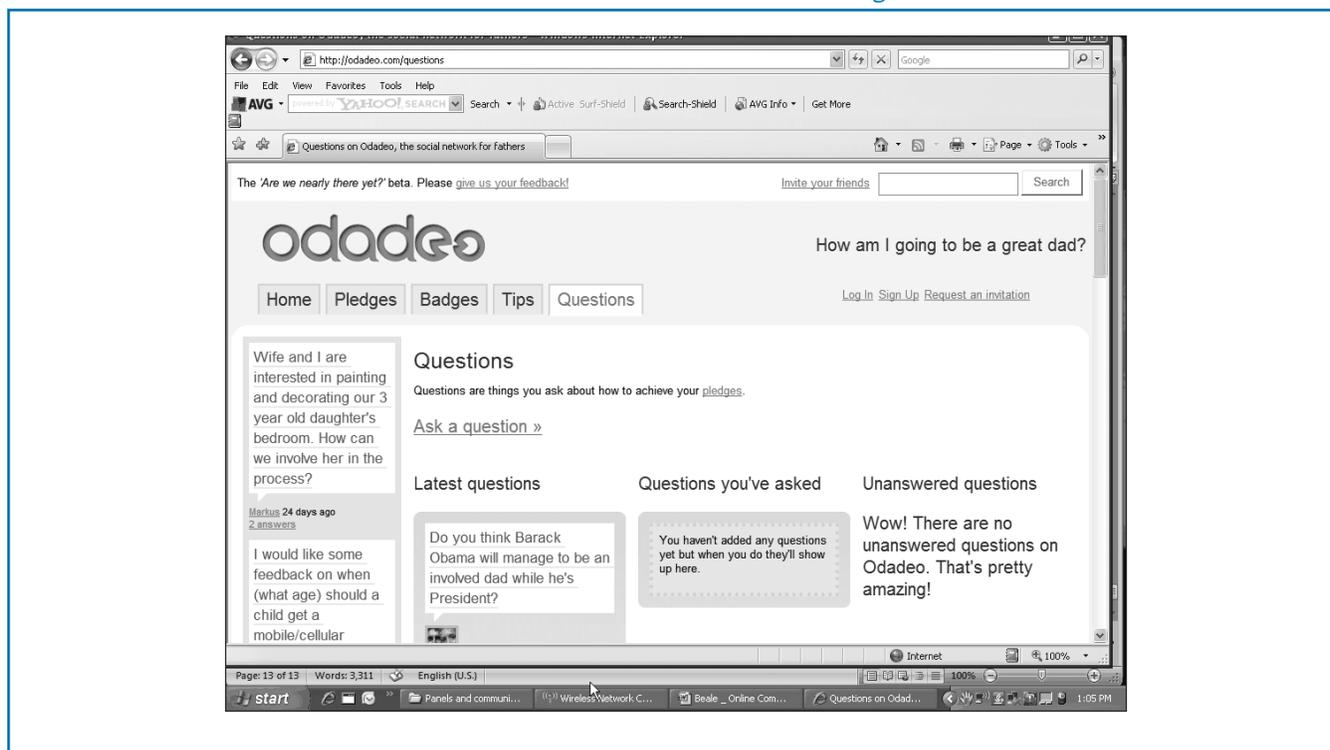
Members of private online communities used for market research purposes must agree to confidentiality terms.

Sidney Brown, Partner with law firm Jones Day, recommends online community operators limit the risk of third-party copyright infringement on third-party content posted by users by appointing an agent (employee or service provider) to whom complaints can be sent, as allowed by the Digital Millennium Copyright Act.⁷ According to Duane Berlin, Principal at Lev & Berlin, PC and General Counsel to the Council of American Survey Research Organizations, if an online community is designed to be promoted to and attract European Union (EU) nationals, the following questions need to be addressed: “Will personal info be transferred from the EU to a non-EU country? Will it be aggregated or rendered anonymous before transfer? Will personally identifiable information (which includes the IP address) be hosted and stored out of the EU? Who is collecting and processing the information?”⁸ Given the nature of the Web and the likelihood that an online community will attract EU users or users from countries with different laws, and the nature of online communities that demand transparency and that the user feels safe, organizations should set and post the community's privacy, content, and intellectual property policies and get informed consent from the user (by click of button or other active consent) to those policies.

8. Technology threats

Although technology is the last item to consider in online communities, we should not ignore the risks and the headaches that technologies can bring to the organization and to the user. The Web is the primary purveyor of threats with the spread of viruses, identity theft, and so on, and both organization and user must be warned and must make wise choices when engaging in online communities and downloading material from them.

Exhibit 3: Odadeo.com's Questions Page



SOURCE: Odadeo.com

Special considerations for small- and medium-sized companies

Are online communities appropriate for small- and medium-sized enterprises (SMEs)? The answer is yes, but SMEs should proceed with special caution. Although the likes of Ning and Kick-Apps offer free or very low-cost software, the key issue is people, not technology, and the right attitude. It takes one part-time worker to manage a community of 200 to 300 people, and the larger your organization and your online community, the more demanding it becomes in terms of technical and managerial resources. So SMEs are advised to start with a blog or with the launch of a group within a large existing community, such as Facebook.

Wine Library (www.winelibrary.com) is one example of how a small retail business can use a Web 2.0 and online community strategy to grow from a \$4 million family company into a \$50 million-plus company. The site regularly posts new wine-tasting videos (<http://tv.winelibrary.com>), and it receives many comments after each new posting. The stickiness created by the regular addition of new content, and the value of peer advice from the community paired with the convenience of being able to order on the site all contribute to the success of this wine business. However, as its founder Gary Vaynerchuck admits in his September 16, 2008, interview with *Fast Company* magazine, "One of my key successes at first was answering every email.... You've got to spend so much time on the community part and less time on the content."⁹

Enabling growth by putting people first

Whether used for a small ad-hoc project or large-scale, long-time projects of strategic nature, online communities are a valuable tool for NPD organizations that understand that enabling growth means putting people first. As consumer-side versions of online communities keep growing, as changing economies challenge us to keep the

pulse of our consumers, as the level of security on enterprise versions increases, and as businesses become aware of the availability of free software and of a wider choice of service providers, new users will come from medium-sized companies as much as large enterprises. But large companies do not always have the advantage. Despite its huge resources and its brand, Google has failed to create a sense of community! The key to success is having—or wanting to have and preparing for—a customer- and user-centric organization as well as a collaborative NPD organization, a concept that applies to both external and internal customers. ■

Endnotes

1. Claire-Juliette Beale, "How Online Communities Are Changing the NPD Landscape," *Visions XXXII* no. 8 (December 2008).
2. Scott Palmer, Web Channel Strategy, Intel, *Jive Software Webinar*.
3. Vida Kidall, Dell Inc. (presentation to the PDMA 2008 Annual Conference, NPD 2.0 session).
4. Bill Johnston, Chief Community Officer, Forum One Networks (interview with the author).
5. Martin Reed, Founder, Community Spark (interview with the author).
6. Rubicon Consulting, "Online Communities and Their Impact on Business: Ignore at Your Peril" (October 22, 2008) <http://rubiconconsulting.com/downloads/whitepapers/Rubicon-web-community.pdf>.
7. Sidney Brown, Partner, Jones Day (interview with the author).
8. Duane Berlin, Principal, Lev & Berlin, P.C. (interview with the author).
9. Kermit Pattison, "Selling Wine The Web 2.0 Way," *Fast Company*, September 16, 2008.

Recommended reading

Charlene Li and Josh Bernoff, *Groundswell* (Harvard Business Press, 2008).
Jeremy Owyang, "Online Community Best Practices" (Forrester, March 2008) http://www.slideshare.net/jeremiah_owyang/online-community-best-practices-final.