



Claire-Juliette Beale

Part One

How online communities are changing the NPD landscape — an introduction to the value of this new tool

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Everywhere you look these days people are talking about social networks such as Facebook, LinkedIn, and proprietary online communities. This topic clearly offers many opportunities to product developers, but it is also an evolving and changing landscape. In Part One of this two-part series author Claire-Juliette Beale provides an introduction to online communities and their application, along with case histories from both experienced and new users. In a follow-up article, she will discuss key issues associated with online communities, and how to start up these new vehicles.

Whatever your industry is, and whether you serve consumer or business markets, if you are an innovation or new product development manager in a global market-driven and user-driven company, chances are you are not only familiar with online communities and their applications for new product development (NPD) and management, but you have actually used them or maybe even sponsored them. Although online communities and the space of Web 2.0 social networking to which they

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belong are still in their infancy, users of online communities read like a who’s who of innovation.

Procter & Gamble, Kraft, Del Monte, GlaxoSmithKline, Novartis, John Deere, Audi, BMW, Dell, Hewlett-Packard, AMD, Phillips, Embarq, Sprint Nextel—all these companies and many more have adopted Web 2.0 social software and online communities to improve their Voice of the Customer as well as their innovation and new product development process.

But what if you do not work for one of these giant companies? Whether your organization offers products or services, serves millions of customers or thousands, online communities can serve you, too. There is growing evidence that online communities are particularly effective at bringing consumers at the core of new product development and management, and can even help to realign the organization around them. For managers who are frustrated with marketing research input, online communities provide a solution to observe and interact directly with consumers 24/7, 365 days per year. Finally, while one should not overestimate their value or underestimate the challenges, online communities are already playing a vital role in NPD for companies of all sizes.

Whether on Facebook (www.facebook.com), MySpace (www.myspace.com), or countless well-known or lesser-known communities, our customers are building and joining communities, talking about our products and services, and even contributing to the development of new products—with or without us. So we might as well evaluate the opportunities.

What is an online community?

Simply put, online communities are groups of people joined together by a common interest and interacting via computer network. This is no trivial matter. Seventy-three percent of Americans and 64 percent of Europeans are now online.¹

Exhibit 1: Typical Specific Goals of Online Communities

Goals	Applications	Examples
Listening	Collect new ideas. Customer feedback. NPD, marketing, and customer support.	Private customer communities. Ideation communities (e.g., Dell’s IdeaStorm).
Observing	Trend-spotting. Netnography. Identify unmet opportunities.	Public communities and blogs.
Speaking	Create an emotional attachment. Participate in and stimulate three-way conversations. Marketing. Advertising.	Product community. Brand community.
Energizing	Promotion and sales.	Applications, widgets, media
Supporting	Enable peer-to-peer support for development and customer service.	Product community. Customer support community.
Embracing	Members as contributors to key business process and decisions: NPD, marketing, and so on.	Private communities.

SOURCE: The Author

Types and purposes of communities

Although the definition of an online community is straightforward, there are many types of communities. Communities run the gamut, from open to the public, from accessible to anyone who wishes to sign up—Facebook, Nike+ (www.nike.com/nikeplus), MyOpenRouter (myopenrouter.com), MySpace—to completely private. Communities are created by lead users and fans, as in Tivo Community (tivocommunity.com), or planned and launched by businesses, like Johnson & Johnson’s BabyCenter (babycenter.com).

Some communities feature advertising (Tivo Community, BabyCenter). Others, particularly private communities set up for discovery and insight purposes, are designed specifically not to. At one extreme, communities grow organically, self-organizing and self-dividing as they grow from hundreds to thousands and even millions of members. Think LinkedIn, Facebook, or Yahoo. On the other hand, private communities are designed not to exceed 500 members. Hundreds of private communities have been set up by companies like Communispace, Vision Critical, and MarketTools for organizations ranging from Fast Moving Consumer Goods (FMCG) companies to nonprofit organizations.

Communities can be branded or generic. Audi, Harley-Davidson, Intercontinental Hotels, and Starbucks are examples of companies using the potential of branded communities. Johan Füller, a board member of Hyve AG (a company that specializes in virtual consumer integration), states, “From a continuity perspective a branded community is stronger and easier to keep involved than a non branded community.”² But a generic community is an advantage for competitive purposes and as a first step in an online community strategy. Whether public or private, communities are designed for specific goals, as can be seen in Exhibit 1 on page 14.

Whatever their flavor, online communities share the following characteristics:

- They break down barriers.
- They allow continuous dialogue with consumers at a deeper level.
- Members drive their success (or failure). Finding what will keep them engaged and motivated is key to the success of an online community.
- They offer tools, features, and services that are valuable to members as well as that help them reach their goals and therefore limit or eliminate the need for monetary or other awards, such as talking (real time and asynchronous discussions via email, instant messaging, live events), connecting (invitations, referrals, meeting planning), expressing themselves (personal pages, blogs, photo sharing and other file sharing), knowledge and opinion sharing (blogs, news and announcements, reviews, ratings), and entertainment (video uploading and viewing, podcasts).
- Launching a community means losing at least some control to members.

Proprietary online panels and communities

Although proprietary online panels (POP), or custom online panels, are not the same as private online communities, they are often used in conjunction with private online communities to validate consumer insights and directions collected in online communities as well as an interim or low-cost alternative to an online community. A growing number of proprietary online panel

and online research companies are offering online communities, bringing their tools and expertise with qualitative insights (recruiting and motivating participants, moderating, online focus groups, and so on). The lines between POP and private online communities are blurring but key differences can be found (see Exhibit 2 on this page).

Online communities are about people

They are not about software or information technology; however, they are facilitated by a new class of software of the so-called Web 2.0 generation, such as YouTube (www.youtube.com), Digg (www.digg.com), Wikipedia (www.wikipedia.com), and so on.

Although the tech-savvy were already getting together by way of online forums 15 years ago, our customers are now moving up from a mostly passive role of spectator to a role of empowerment and creativity, and are actively helping each other to get what they need from each other. According to Forrester’s Technographics® research, 18 percent of online US adults are creators, 25 percent are critics, 12 percent are collectors, 25 percent are joiners, 48 percent are spectators, and 44 percent are inactive.³

Even though youth is predominant on social networking sites, online communities are used by individuals of all ages. Thirty-nine percent of Americans ages 52 to 62 and 30 percent of those 63 and older are spectators. They are less likely to be creators, but considering an 8 percent penetration rate, there are still millions of people over 50 who are blogging, maintaining websites, and participating in online communities.

We should not neglect the potential of online communities because of lower social technographics, or because we serve a business market. Individuals use online communities for both personal and business pursuits. Companies like Network Solutions (www.newtorkolutions.com) and Constant Contact (www.constantcontact.com) use online communities to listen and talk to small businesses. Patients of diseases ranging from rare to well-known reach out to express themselves and help each other in online communities.

Exhibit 2: Differences Between POP and Private Online Communities

POP	Private online community
Screened to be statistically valid (quantitative) and representative of target market, and ranging in size from a few 100 to 100,000+.	May match a target profile. Usually 500 or less. Often described as a 24x7 focus group.
Ongoing interactive feedback, but mostly 2-way, and controlled. Engaged in surveys, 3D testing environment, online forums, and online focus groups.	Ongoing 3-way interactive feedback. Semi-controlled and semi-organic. Online tools catering to self-expression and peer-to-peer communication.
May be set up for the long term but will typically last 2 to 3 months.	Typically set up for the long-term.

SOURCE: The Author

Applications and contributions to NPD

As you will read in the stories shared by our peers below, companies use online communities for both strategic and tactical purposes. They embrace strategies based on monitoring, observing, and maybe even interacting with existing communities—or they build their own. And even though the initial use of online communities may be for a discovery, development, or commercialization purpose, they are quickly used throughout the cycle, as is shown in Exhibit 3 (located on this page).

How Del Monte Foods uses online communities

Del Monte Foods is a company that uses private online communities for several purposes. As one of America’s largest producers of products for the U.S. retail market, Del Monte Foods generated \$3.7 billion in 2007. Facing stiff competition, Del Monte realized three years ago that its sophisticated database and analytics tool and its linear innovation process did not allow it to understand the fast-moving marketplace, identify the opportunities, and then execute with speed and flexibility.

So in 2006, when the pet products division of Del Monte Foods was looking for ways to gain deeper consumer insights that would

allow its research and development (R&D) and marketing team to generate successful new products and marketing campaigns, it turned to its partner MarketTools to help it capitalize on Web 2.0 resources and create a better platform for the generation, the development, the refinement, and the evaluation of ideas.

As a first step—dubbed the I Love My Dog initiative—MarketTools, teaming up with brand-monitoring agency Umbria, conducted contextual analysis gathering and analyzed data from millions of blogs, forums, and message boards to identify key themes and trends in the marketplace.

After identifying a key segment of pet owners named Dogs Are People, Too, the next step was to build an online community to create what Mike Waite, VP Panels and Communities, MarketTools, called in my interview with him “a flexible research environment for consumer-led innovative solutions.”

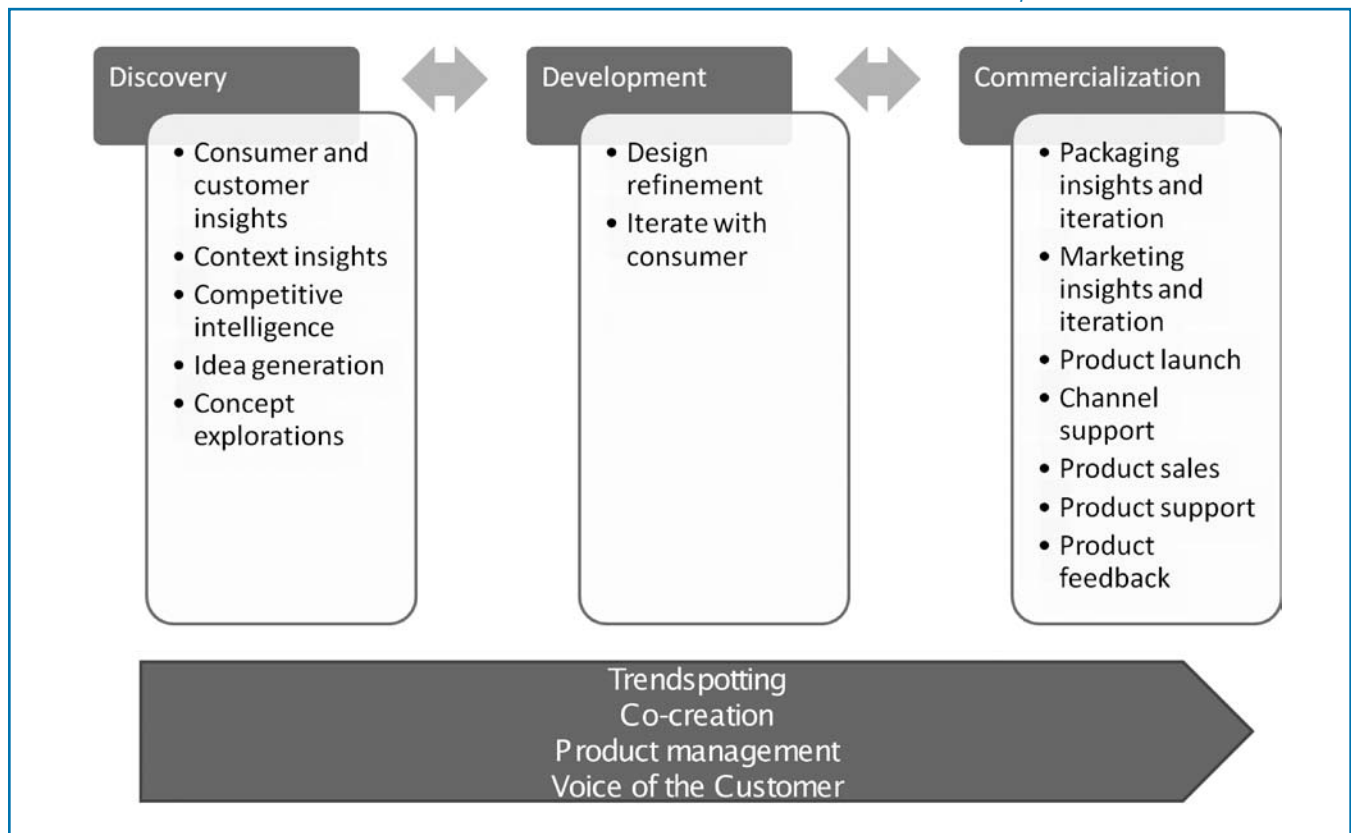
Designed for continuous consumer interaction and enrichment, as well as a deeper consumer listening and understanding, the I Love My Dog community is a password-protected, by invitation only, private community of nearly 500 consumers. Dog owners discuss issues, blog, chat, participate in surveys, share photos and videos, and find resources.

Launched in 2006, the community was immediately used to explore and then to develop a new breakfast treat. The result, Sausage Breakfast Bites, was launched in the summer of 2007.

The R&D and marketing team has benefited in many ways, not the least of which is that the idea-to-store process lasted six months instead of the typical one year. During that time, Del Monte Foods had spoken with members of the community, as a group and individually, a dozen times.

“Communities can be branded, or generic. Audi, Harley-Davidson, Intercontinental Hotels, and Starbucks are examples of companies using the potential of branded communities.”

Exhibit 3: Online Communities Can Be Used Across the Entire NPD Spectrum



SOURCE: The Author

According to Walter Wdowiak, VP, Marketing Services, “We’re able to identify the most pressing issues for customers and understand topical matters that factor into buying decisions” (*Baseline Magazine*, August 2008).

As of August 2008, Del Monte Foods subscribed to MarketTools’ existing community of moms, called the Moms Insight Network and enlisted MarketTools to create a community of cat owners, titled Meow Mixer.

Its applications include:

- Understand what customers are thinking about and what their concerns are.
- Monitor online discussions and discover value-add ideas.
- Co-create with community members to innovate (from idea generation and concept explorations to sending out products for members to sample).
- Test and validate frameworks and insights developed from other research sources.
- Guide packaging and marketing directions.

Netgear, Inc, and online communities

Netgear is another company that uses online communities. The company is a worldwide provider of technologically advanced networking products to small- and medium-size businesses as well as home users. With a suite of approximately 100 products grouped into three major segments, Netgear generated \$727 million in revenues in 2007, with net profit margins of 6.31 percent.

With the combination of a collective entrepreneurial spirit, good technographics for its target market, and products the complexity of which can hamper decisions and require strong after sales support, Netgear launched its first open community, named My Digital Entertainer, for its digital entertainer product line in July 2007.

As Somshubhro (Som) Pal Choudhury, Senior Product Line Manager, Advanced Wireless, became responsible for launching the WGR614L Wireless G-Router—a router designed to support a wide variety of applications created by the open source community—and to help Netgear compete with Linksys, it’s not surprising he recommended the launch of a second open community, MyOpenRouter (see Exhibit 4 on this page).

As shared by Choudhury in my interview with him, “The success of our new product depends on our ability to energize our new customers, to listen to them, and to facilitate peer to peer interaction.” Netgear employees would participate by answering customer questions as well.

Unlike Del Monte Food’s communities, Netgear communities are open to the public, designed to grow organically and to promote Netgear products. The company uses the community for new product development purposes as well. Members’ input is used to plan upgrades and next generation products.

Developed and hosted by Capable Networks, Netgear’s communities feature news, forum, short polls, giveaways, and other contents to keep members engaged, as well as advertising.

Members of MyOpenRouter can download firmware and utilities, join the Programmers’ Corner, and shop online.

Myopenrouter.com was officially launched worldwide in June 2008 after a soft launch in the first quarter of 2008. As of

November 11, 2008, 950 members have signed in to the community, generating 100,000 page visits per month and competing with much older sites. More important, the community’s level of activity and the quality of the interactions have exceeded its energizing and three-way discussion objectives.

Private online communities star at Hallmark, Inc

Hallmark was one of the first companies to use private online communities proactively for a number of purposes. They have been actively using and refining this tool since 2000. A young company of 98 years with \$4.4 billion in revenue in 2007 and offering 19,000 new and redesigned greeting cards and related products per year, Hallmark is one of the pioneers in the use of online communities. Thomas

“Consumers are now moving up from a mostly passive role of spectator to a role of empowerment and creativity, and are actively helping each other to get what they need from each other.”

Brailsford, Manager, Advancing Capabilities, is its champion.

As a company dedicated to helping people connect with one another and give voice to their feelings, Hallmark’s top management had made it a priority to get close to the consumer.

Brailsford saw that online communities of customers offered three benefits: the potential to break down barriers, the ability to leverage the power of the Internet, and the ability to engage in continuous dialogue.

In 2000, Brailsford launched the Hallmark Idea Exchange with Communispace. Idea Exchange is a private community where 200 mothers with young children were recruited to participate for 30 minutes a week, for which they received Hallmark gifts every month. The community was designed to collect new product ideas by watching the lives of its members through conversations held on the website. Moms would sign in at their convenience; chat; answer Hallmark’s questions about products, ideas, and topics; and even post pictures at Hallmark’s prompting.

In 2004, Hallmark used its Idea Exchange community for a year-long dialogue around the notion of humor in order to understand

Exhibit 4: Netgear’s Open Community, MyOpenRouter



SOURCE: myopenrouter.com

“Companies use online communities for both strategic and tactical purposes.”

the consumer's point of view. The company found that the language used internally was not the same as their customers. As Brailsford said in my interview with him, "consumers are literal." This led Hallmark to reframe the issue and to align the internal organization to the language used by its customers. Changes were made to the Classic Humor offering and some Shoebox cards, which were relaunched in 2005, posting positive sales gains.

Today, Hallmark uses its communities for both strategic and tactical purposes, from questions from the CEO that can affect business

decisions to design preferences. Brailsford and his team are careful to use communities for inspiration, not for answers. Thanks to its communities, Hallmark has reached a high level of trust, engagement, and intimacy with its customers. Members give candid advice and feedback for a broad

range of NPD and marketing applications, including shopping experience, product testing, and product concept feedback.

Through the years, Hallmark went from two to five branded communities, and then back to two, experimenting and learning along the way. Today, Hallmark has two private communities for women, each with 400 members.

Idea Exchange still exists, and the community remains vibrant. Its members even communicate beyond the community by email!

The potential of online communities

Whatever the original impetus, once an organization has started using online communities—bringing consumers at the core of its new product development and management process—the experience tends to become addictive. It can also transform the enterprise and its NPD process. Although online communities may initially be used for a particular goal, their use eventually spreads across the organization. By evaluating, and possibly defining, and/or taking charge of an online community strategy that fits their purpose, new product development and management teams are more likely to play a central role in how corporate decisions are made. Stay tuned for Part Two of this two-part series with details on key issues associated with online communities, implementation, ROI, and metrics. **V**

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Web 2.0 Terms

Web 2.0—Changing trends in the use of Web technology and Web design that enhance creativity, secure information sharing, and increase collaboration and functionality of the Web.

Online community (also called virtual community, or e-community)—A group of people that primarily interact via communication media such as telephone, email, online social networks or instant messages rather than face to face.

Private online community—Private communities are invitation-only online communities. They are often centered on a single brand or customer segment and designed for qualitative market research purposes.

Custom online panel (also called proprietary online panel, or private online panel)—A group of pre-screened respondents who have accepted an invitation to provide ongoing feedback for quantitative and qualitative market research purposes.

Netnography (also called online ethnography, virtual ethnography, or webnography)—Extends traditional field and ethnographic study from the observation of co-located, face-to-face interactions to technologically mediated interactions in online networks and communities.

Technographics—A method for segmenting consumers based on their ownership, use patterns, and attitudes toward information, communication, and entertainment technologies.

Endnotes

1. Forrester's North American Technographics benchmark survey, Q1, 2007. Forrester's European data are a weighted average from the UK, France, Germany, Spain, and Italy based on Forrester's European Technographics Benchmark Survey, Q2 2007
2. Johan Füller, Kurt Matzler, and Melanie Hoppe, "Brand Community Members as a Source of Innovation," *Journal of Product Innovation Management* (November 2008): 608–619.
3. Forrester's North American Social Technographics Online Survey, Q2, 2007, an online survey with a sample of 10,010 adults in the United States.

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