

## 2005 – The Year of The Customer Community

Wikis, RSS, and weblogs: if you have not yet been assailed by these terms, I guarantee you will be by the end of 2005. For these social network technologies are starting to hit the collective conscience at the same time as various other trends point to a 'second coming' for customer communities. With business planning in full swing an evaluation of the costs and benefits of a customer community should be on the cards – but beware they are not for everyone.

### What is a Customer Community?

I have yet to find good definition of a customer community but the major characteristics seem to be:-

- They enable dialogue and collaboration between an organization and its customers
- They are a place for customers to find, meet and interact with each other
- They are a major source for swapping knowledge and information
- They are used by people who have values and needs in common
- There is strong personal affinity and high degree of emotional value

Thus a software user group, fan club or interest group eg Friends of Highland Malt, would be a likely community. Conversely Nectar loyalty card holders, or a FAQ (frequently asked questions) self service website would not be. Particularly successful customer communities include HOG, the Harley Davidson Owners Group [www.harley-davidson.com/EX/HOG/template.asp?locale=en\\_GB&bmLocale=en\\_GB&fnc=hog](http://www.harley-davidson.com/EX/HOG/template.asp?locale=en_GB&bmLocale=en_GB&fnc=hog) or applefritter the community for Apple computer owners [www.applefritter.com/](http://www.applefritter.com/)

Customer communities are not a new idea, but what is new is the ability for organizations to use online technologies to build or enhance community services. This puts the potential benefits of a customer community within the reach of more companies. So, a website may evolve into a customer community; or loyalty card holders for cherished brands such as Body Shop, may have offline events enhanced with online community services.

### Market Trends

The availability of the technology is not the prime reason why companies should explore the benefits of creating a community. Economic and social trends too, are highlighting this as a very influential way of doing business. For example:-

- The flip side of better customer relationships is that customers want suppliers they trust. They want to be known, respected and involved with those they deal with. Marketing is becoming a set of activities done with customers not to them - be that communication or product and service design. (*Seven Ways to Improve Customer Value – Jennife Kirkby, CMC <http://www.insightexec.com/cgi-bin/item.cgi?id=130777&d=101&h=817&f=816>*)

- Consumers are becoming more active online. They are increasingly interacting with the medium and creating their own content eg blogs and websites. Everyone is looking for their 15 minutes of fame.
- Successful brands are increasingly those strongly linked to a social purpose. At the same time personal affinity networks and word of mouth are growing as a means of finding suppliers and supporters. (*The Customer Future of e-commerce – Melanie Howard, Future Foundation [http://www.insightexec.com/cgi-bin/library.cgi?action=detail&id=5001&dir\\_publisher\\_varid=65](http://www.insightexec.com/cgi-bin/library.cgi?action=detail&id=5001&dir_publisher_varid=65)*)
- Economic challenges mean that companies need to adapt to market changes quickly. This necessitates having a finger on the market pulse and organizations designed to 'sense and respond' to the customer experience. A key way of achieving this is customer feedback and tapping into customer networks.
- Increased market competitiveness means that “emotion is the great differentiator in a world where sameness increasingly rules. In an excess economy success comes from attracting the emotional consumer not the rational one. Companies can tap into the emotions of consumers by focusing on a specific tribe” – *Kjell Nordstrom, Advanced Management Programme, Stockholm School of Economics.*

### **Community Benefits**

Despite the green light implied by market trends, there is still debate about the benefits of building a customer community. ‘We tried that, but it didn’t work’ is often heard. These are some of the main benefits that should be considered - with the right strategy and investment. .

- Reduced service costs. Often cited as the way to pay for community investment, web based customer care can cost an average of \$4-\$7 per interaction as opposed to \$7.50 - \$50 on a telephone call. (*source Gartner*).
- A community helps build valuable ‘my brand’ customers. The Ogilvy Loyalty Index has found that such customers can be worth up to 6 times the value of an ‘ordinary’ customer. Whilst a McKinsey study found that users of online community features were around one third of all site visitors, but accounted for two thirds of sales (*Refocus Your Investment – Jane Hodson ,Ogilvy One Consulting <http://www.insightexec.com/cgi-bin/library.cgi?action=detail&id=4887>*)
- Increased word of mouth recommendations and referrals. Research shows that 30-50% of all brand switching is due to recommendation, as against 20% each for advertising, promotions and personal search. Media budgets could be more effective if switched to communities rather than multi media broadcast communication.
- Customer retention. Community services can be invaluable support in helping to solve problems, and get the most value from purchases.

- A very cost effective means of knowing and understanding your customers in ways research cannot reach innovative product and service development; providing quality controls for customer processes

### **Key factors in building a community**

Benefits can only be achieved though, if some of the important lessons from the previous disappointments are learnt.

- A community is a customer service not a service to the company – think of it as part of the value proposition eg Aveda Professional Connections [www.concept.aveda.com/profconn/](http://www.concept.aveda.com/profconn/)
- There are two main ways of community building. Provide a service for a value group that has a link to your brand; either directly or through sponsorship. eg Coke Music. [www.cokemusic.com](http://www.cokemusic.com). Or build a community service for key groups of your current customers. eg Heinz tinytums [www.tinytums.com](http://www.tinytums.com) (**Accessing Value Groups Through On Line Communities – Jennifer Kirkby, Gartner**)
- Personal affinity is key to a successful community – this takes time and effort to build if you do not already have strong links to a value group. (**see Techniques for Engaging with Members – Tim Pickles, Sift**)
- Good real time information and measures are needed to make the community experience worthwhile for participants and for the company eg Genes Reunited [www.genesreunited.co.uk](http://www.genesreunited.co.uk).
- A successful customer community has the right organizational structure to support it
- A community leader is needed to encourage contribution, build interest and interaction and censor inappropriate content and activity
- Continuously improve the customer experience in collaboration with the community

These lessons highlight the fact that many organizations will not yet have the capabilities to benefit from building a customer community. However, this should not stop an evaluation of the potential and the investment needed. At the very least it should curtail unwise technology investments and at best it will signpost the way for future CRM development. (**Customer Centricity – David Rance, Round** <http://www.insightexec.com/cgi-bin/library.cgi?action=detail&id=5003>).

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### Further Reading

**On Line Community – Creating Business Advantage – Leon Benjamin, ecademy (new)**  
**Social Networks – Making Connections Count – Mike Cope**  
<http://www.insightexec.com/cgi-bin/library.cgi?action=detail&id=4047>  
**Dancing with Your Customers – Anna Pollock (new)**  
**On Line Community – Michael Lowenstein**  
<http://www.insightexec.com/cgi-bin/library.cgi?action=detail&id=1427>