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Customer communities herald new ground rules for successful marketing

Graeme Foux

Abstract

The internet was meant to enable marketers to reach their audience in an innovative and timely fashion, while being able to extract more information about their customers. The reality is that few have taken full advantage of this new medium. As far as interactive marketing, brand promotion and communication with customers are concerned the internet remains an underexploited medium.

So why have corporations not taken advantage of the internet to reduce their distance from customers, creating a robust two-way dialogue, reaching more customers in less time, reacting quicker to customer feedback, better educating customers about the product offering, increasing customer satisfaction and improving customer insights?

Well, e-marketing and CRM have failed to deliver on early promise and the internet has lost its early sparkle and invincibility. In truth there are more people online than ever before, sharing in virtual communities, looking for information and purchasing. So how can corporations use this to their advantage? Customer communities. These in turn foster and give a platform to customer evangelists.

In a well-run and managed customer community, these benefits can be easily realised and both consumer and seller will see instant benefits, mainly in the form of customer evangelists. This paper suggests the steps that should be taken to start a customer community and make customer evangelists do your marketing.

Introduction

Would you like to increase your sales team by thousands of people, without any of the costs associated with recruiting a new salesforce? Or be able to reach people who do not use your product or service, with a personal endorsement of your product from someone who they trust?

What effect would thousands of extra sales people have on your revenue, customer relationships and interactions? Not to mention the increase in your brand recognition, trust and publicity this would generate. All those extra sales people, each with their own personal contact list, pushing your product when they perceive that someone they know personally has a need for your products or services.

If money were no object we would all try to employ thousands of new sales and marketing people to reach more customers and allow our brand

recognition to benefit from this extended salesforce. Unfortunately, while more sales people would equate to more sales and marketing, they would also create a big, unjustifiable drain on financial and other organisational resources. Plus some potential customers, no matter how much you spend, are highly sceptical of a company's marketing efforts around its own products and might therefore remain out of reach.

'Customer evangelist'

Enter the 'customer evangelist', a person who uses your product, feels good about it and is ready to share the benefits with others. Or as Guy Kawasaki describes them: 'They're not paid. They're not employees. They tell people to use [the product] for the other person's benefit.'[1]

A customer evangelist has greater power to secure sales for your company than your own sales and marketing efforts. Their recommendation will be seen by other potential customers to be independent, trusted and without prejudice.

The likelihood is that if you are a marketing professional for a successful company, there have always been customer evangelists for your product. What have changed are the scale and potential power of this role. Through the internet, consumers are instantly connected to a vast network of potentially like-minded consumers. Furthermore, consumers have quickly recognised the potential of peer-to-peer advice and guidance and are often actively seeking this out in preference to taking advice and information directly from a company.

A customer evangelist can be a strong marketing tool for your company, reaching people with a personal message at a time when they have a strong need for a product just like yours. With an identified need and personal recommendation for your product, this new customer is more likely to try your product.

By converting your customers into customer evangelists, you have created a virtual sales team that is selling and recommending your brand and products. A personal recommendation from a friend or family member who has found your products or services useful is also more likely to make people try your brand in favour of another and raises your profile.

Creating customer evangelists through customer communities

So how do you go about creating customer evangelists and ensure that they are communicating the right messages about your product/service while not giving misleading information that could potentially damage your brand?

Here is where customer communities can provide an effective environment to foster customer evangelists. Organisations that create customer communities tend to create communities of evangelists. The most famous example of a customer and evangelist community is eBay.

What is a community?

Customer community

The term 'community' is like the word 'strategy', in that it means many different things to different people. Even searching for a textbook

definition uncovers differences. For example, the Merriam Webster dictionary provides the following two definitions: an interacting population of various kinds of individuals (as species) in a common location; a group of people with a common characteristic or interest living together within a larger society.

Knexus defines community as 'a group of people that come together to interact with each other, based on a common interest and motivation to obtain value from the community'.

Customer community benefits

In a customer community the relationship with your customers moves beyond a predominantly broadcast model, where you provide marketing information to (potential) customers, to encouraging significant interactivity with customers and between customers.

The potential benefits are considerable in terms of increased customer self-service, better customer relationships, improved communications and increased transactions.

From a customer perspective, a community can provide access to a network of like-minded individuals who represent a trusted source of knowledge and experience, or have a perceived affinity to the product or service that you provide. A community also encourages customers to enter into a richer dialogue with your company.

In the context of customer evangelists, a customer community can engender a family atmosphere, providing regular contact between evangelists and with your company to provide important feedback on your products or services.

Online communities

Continuing growth in online customer activity is spurring interest in online communities. Online communities offer a cost-effective and powerful means of connecting geographically dispersed audiences. More recently, customer-centricity and CRM initiatives have driven customers into the centre of every company's operations. As a result, a community is seen as a business tool that can help companies get closer to customers, delivering greater customer satisfaction and economic benefits to the company.

Blended communities

At the same time, innovative companies are developing blended (combined online and offline) communities that align with their integrated multichannel customer management strategy. Overall, companies increasingly recognise that a well-defined and managed customer community can create significant economic value.

In order to unlock the full economic benefits of customer communities, there are significant challenges to address in terms of developing the right community offering, securing effective customer participation, capturing and harnessing the full benefit of customer interactions and aligning the organisation internally to support the opportunities presented by a customer community.

A growing number of companies are discovering the strategic imperative to create and develop customer communities. In a business environment where customer retention is key, a customer community presents a unique way to deepen customer loyalty. As Frederick Reichheld points out, 'Loyalty is a primary driver of profitability.'[2]

Customer agitators

For some companies, there is a cultural challenge around the notion of customer communities. While the concept of customer evangelists is difficult not to find appealing, its nemesis, the customer agitator, looms large in the corporate psyche, undermining a willingness to embrace communities.

Customer agitator

A customer agitator is a customer who has had a bad experience of your product or service. In the same way that a customer evangelist can positively influence potential customers, the customer agitator might cause significant damage. The best-case scenario is that they will not mention the bad experience to their friends or family and that this bad experience will stay with just the one customer loss. The worst-case scenario is much more damaging to your brand and products — they could turn hundreds of potential customers and actual customers away from your brand and towards your competitors, perhaps without you even knowing this is happening or what the impact is in terms of which customers or how many.

And yet, a customer agitator does not need your customer community to cause damage. The internet has allowed everyone to become an editor, and the ability to spread bad news far and wide is great. And here is where the cultural challenge related to customer communities is played out. If you do not have a customer community, your disillusioned customers will express their discontent elsewhere (not good) and you either will not know it is happening or will find out once it is perpetuated enough to cause you serious damage. If you have customer communities, you know you have a problem and an opportunity to address it early. You can also use the insight to make improvements to your offering. Finally, research indicates that a greater willingness to listen to customers goes a long way to pacify their grievances, thereby turning a potential disaster into a customer relations success.

There has been a power shift in the relationship between companies and consumers. The consumer has much greater power through the internet and, consequently, you have much less control. Get closer to your customers or face the consequences.

The Kryptonite Bike Lock Company case study

Case study

The Kryptonite Bike Lock Company is a company that would have benefited from listening to its customers and thus avoiding a brand-damaging news story that from humble beginnings received national press.

On 12 September 2004, a forum poster at bikeforums.net noted that he could open his Kryptonite lock with a Bic pen. The next day, a fellow bikeforums.net forum member posted a video of the lock being picked, verifying the salacious claim. Had there been a customer community in place, the Kryptonite Bike Lock Company might have been able to prevent what happened next.

On 14 September, Metafilter — a group-edited site — picked up the story, quickly followed by lots of other bloggers, accelerating coverage for

the story. Kryptonite remained silent, probably unaware of the potential brand damage that was going to occur.

On 23 September, just a few days after the initial forum post, the story appeared in the *New York Times*, entitled 'The pen is mightier than the lock'.

At this point, in the full glare of a national newspaper story, the company awoke from its slumber and posted a statement on their website. But by then it was too late. Dozens of other media outlets had picked up the story, ensuring it reached a mass-market audience and created a lot of damage to the integrity, sales, credibility and brand image of the Kryptonite Bike Lock Company — all potentially avoidable had the company stayed closer to its customers.

Why a customer community?

Advantages of a customer community

Customers who contribute product reviews or post messages visit community websites nine times more often than sites without communities, remain twice as loyal and buy almost twice as often. Even customers who read but do not contribute to community interaction are more frequent visitors and buyers.

People join communities to share and celebrate their similarities: to meet others like themselves; to be part of something bigger than themselves.

Communities create evangelists and build word of mouth because members share information, help one another solve problems and meet others who can help them with their lives.

For some companies like Cisco and Dell, online communities on their respective websites lower support costs as customers use self-service through the community to solve hardware and software issues before calling customer services, and the members are only too happy to help one another, as they form useful connections with other users who will aid them if they ever encounter a problem. The feedback generated is also useful, because no matter how in-depth the product testing you carry out, your customers will always find errors as they use the product every day in many different environments.

Companies such as Harley-Davidson demonstrate the power of loyalty via online and offline communities: 600,000 members of the Harley Owners' Groups (or HOGs) meet in 1,200 clubs located in 100 countries around the world to ride their bikes, exchange information and welcome new members to the 'club'. Harley actively supports the groups with information and ideas, and relies on them as a direct source of feedback.

Creating a vibrant customer community that increases loyalty?

Many of the components that form a successful customer community will already be familiar to marketing professionals. But like a good dish, it is how you put the ingredients together that will define success. In a community, key challenges include how you integrate different activities to form a coherent offering for your community members, both online and offline, and how to encourage and sustain participation within the

community. Examples of customer community activities include the following.

Customer community activities

— Apple Computer hosts an annual customer event called 'Macworld' which has become a Mecca for its tens of thousands of feverish evangelists. Although this event allows Apple to profile its latest products, it is also very much the coming together of a community of like-minded Apple users.
— Harley-Davidson has created its Harley Owners' Groups (HOGs).
— Dell Computer, Microsoft and Cisco have online customer support groups that enable customers to support one another with troubleshooting problems and issues. People are free to ask the community for help and advice when they encounter a problem.
— Krispy Kreme — the Friends of Krispy Kreme e-mail newsletter encourages the community with a warm and friendly approach and limited sales messages and promotions. Krispy Kreme has created such popularity with its customers that store openings caused traffic jams on neighbouring roads.[3]

Creating a successful community

How to create a successful community

As early-adopting companies search for the winning formula with their communities, there are a number of potential pitfalls to avoid. Perhaps most common is an over-dependence on technology. A misguided assumption is that if you have customers with a common interest and community tools that enable effective communications and sharing between these customers, you have a community. Set up a bulletin board or chatroom and just sit back and wait for people to interact.

In fact, while the technology undeniably provides the infrastructure, consistent, active management of the community is key to generating participation and sustaining value. This active management involves defining a clear purpose for the community, establishing terms of use and community rules, generating and editing compelling content, moderation and constant evolution to ensure the community remains relevant.

Another potential pitfall is assuming an online-only community will be effective. While online activity is a cost-effective and highly flexible platform for communications, it is not an ideal environment for developing relationships and cannot entirely substitute for the benefits of old-fashioned, face-to-face interaction. Wherever possible, companies should look to develop blended communities that effectively combine a mixture of offline and online activities.

Creating a community and successfully managing and growing it do not represent the entirety of the challenge. A business community can only be truly successful when its outputs are effectively integrated back into the business to improve performance. Communities challenge traditional business thinking and business processes. As such, the complexity of ensuring that your company can harness the value generated from a community should not be underestimated.

Why are communities important for corporations?

Almost all companies have existing communities. The potential, therefore, is to focus more effort and redirect existing investment to generate greater economic returns from these, harnessing new digital technologies to support your objectives.

The benefits from customer communities are broad and different for every organisation. A company should not search for the answer to how a community can help their business, but how their company can leverage their existing communities, which may appear dormant or undiscovered, to meet their business objectives. The structure, purpose and management of the community will differ according to a company's needs and the nature of its customer base.

In general the economic value attainable from developing a customer community includes:

Economic value of a customer community

— *customer loyalty* — strong relationships generate future revenues
— *stickiness* — greater interaction generates repeat visits and higher revenue potential
— *member acquisition* — through word of mouth of community members, acquisition costs can be driven down substantially and revenues increased
— *content creation* — content generated by customers can reduce customer service costs and increase loyalty
— *customer insight* — through customer interaction, a better profile can be created and hence targeted sales can be more efficient
— *switching costs* — a community increases switching costs for existing customers
— *source of new services* — direct contact with customers through the community can be the source of new sources of revenue
— *feedback into the company* — using the community as a source of primary research can reduce costs and generate new ideas.

Further benefits

The benefits of creating closer links to your customers and creating customer evangelists include:

— reduced costs in promoting your brands
— faster feedback from customers about products/services/brand
— regular communications channel with your customers
— two-way information flows
— special tailored promotions to your customers based on segmentation
— better idea of the demographics of your customers
— increased customer loyalty
— increased peer-to-peer relationships between your customers
— giving you a chance to pick up negative PR and react before it explodes and dents your brand reputation
— build customer loyalty
— provide valuable feedback
— contribute to increased sales
— increased enthusiasm for the brand.

Future success of customer communities

Communities are moving up the agenda for corporations which are discovering the potential to extract much greater value from their existing communities. With changing lifestyles and working patterns, online interactions help people remain networked and interacting. Meantime, carefully chosen offline activity can help to bring people together who have become more remote through the adoption of modern technology. Communities play well to people's natural social habits, wanting to maintain and develop a network of relationships and remain connected with people who share an interest.

Finally, it is worth noting that communities take time to grow and must continuously change and evolve. Be sure to take account of this when attempting to develop or grow your own community.

Examples of companies using customer communities to create value

In practice such a valuable tool should be utilised in all corporations to drive increased value, through evangelists. Although in the offline environment these evangelists will only reach people they know, in an online community an evangelist can promote your product to many more people, who they do not have to meet to recommend a product to solve their issues.

Having outlined the benefits and methodology for putting in place a customer community and creating a platform for customer evangelists, below are three examples that highlight the benefits and potential of a customer community.

Mozilla Firefox web browser

Mozilla[4] has been able to achieve what many people thought impossible. Mozilla, for anyone who has not come across it before, is a not-for-profit open-source software developer. Mozilla entered the internet browser marketplace, a marketplace where traditionally the product is supplied free of charge, and against all odds has not just survived but won market share from the big companies that already occupied the space.

Mozilla entered a marketplace that was dominated by one big player, Microsoft, which had a market share over 95 per cent, with almost limitless resources in terms of marketing budget, financial power, brand awareness and customers. The only area where Mozilla had an advantage over Microsoft is in the area of customer evangelists. Firefox customers would relentlessly evangelise the Firefox browser and highlight its benefits as compared to Microsoft, and recommend to everyone to download the Firefox browser and support what they were trying to accomplish.

Firefox is an open-source web browser, which means that its customers can develop new code if they believe extra functionality is needed. This code can then be released to the rest of the open-source community to download and drive web traffic to their own site and increase their standing within the community if their code is useful to others.

Mozilla built a community and actively encouraged members to

download the browser, highlight it on their websites and include it in their e-mail footers. But this still would not have been enough to spread the word about Mozilla and win significant market share from Microsoft.

Mozilla has utilised the customer evangelist model in a more innovative way with its marketing. Mozilla wanted to have a full-page advertisement in the *New York Times*, but being a non-profit organisation could not raise the necessary finance needed to advertise. Mozilla turned to its customer community of over 50,000 members to raise the capital; in return the people who donated to the cause would also have their name featured in the *New York Times*.

Due to customer evangelism and feverish customer support, Mozilla has been downloaded 27 million times and has a 10 per cent market share of the web browser market. The evangelist community, SpreadFirefox,[5] has over 50,000 members and is growing rapidly — members of the community either donate or give their time to the Firefox cause.

Examples of the benefits and potential of customer communities

Telegraph Business Club

The *Daily Telegraph* is the UK's leading quality newspaper with a significant customer base of small and medium-sized business owners and operators. The *Telegraph* recognised that these business people were looking for more knowledge, ideas and support to address the many issues associated with growing businesses.

By creating the Telegraph Business Club,[6] members gain access to knowledge and ideas from the *Daily Telegraph* and a range of business experts, have the opportunity to identify specific issues where they require help and can meet with other members to share experiences.

With a rapidly growing membership, individual members enjoys access to dedicated, relevant content through the newspaper and website, can easily interact online, stay in touch through the club's electronic newsletter and meet at a series of face-to-face seminars across the UK.

For the *Telegraph*, the club provides a targeted opportunity to reinforce its brand and extend customer satisfaction, an additional revenue stream, rapid insights to emerging issues for its business readers and a new source of content for the newspaper.

Apple iPod

Apple is seen as innovative when it comes to customer evangelists, and with the release of the iPod it has pushed forward the boundaries in customer evangelism again. Portable MP3 players were a new and emerging marketplace with no market leaders or major brands occupying market share. By utilising customer evangelists Apple was able to become the dominant vendor in this marketplace and gain a significant market share in a short space of time.

In a marketplace where product differentiation was difficult to obtain, the customer evangelist has created an advantage for Apple iPod over all other vendors, while helping create a passionate and loyal following.

The online community for Apple iPod owners, named the iPod Lounge,[7] allows the members — although you do not have to be a member to use all the functionality — access to iPod information, product

reviews, product releases and other iPod owners. The result is that customers embrace the iPod while the content and information available through the community increase the customer experience of the iPod.

Apple has had many insights into its customers' feelings and issues with its product and uses this knowledge to help customers self-service online, finding answers to their problems, improving customer service and cutting call-centre costs.

Apple has evolved the customer evangelist by creating a 'customer designer', based loosely on the open-source model described in the Mozilla example. Within the forum customers can design features and new looks for the iPod and then let other members discuss the merits and pitfalls of each design.

This helps Apple gauge what features its customers want to include in the iPod and provides feedback on what the customers would change (if they do not currently like a feature), saving Apple money on product designing and testing.

Conclusions

We are all now networked through a global digital network. The true scale of impact that this digital business environment is having on customer behaviour, how we manage customer relationships, increase loyalty and communicate our value proposition is only just emerging. Viewing these changes as incremental rather than transformational would represent a serious misjudgment, and yet too many traditional marketers still fail to grasp fully the changing expectations of customers and the diminution of control that companies have in managing customer interactions.

Customer communities are becoming a vital asset for companies looking to gain more effective customer insights more quickly, respond effectively to greater customer expectations driven by internet proliferation and reformulate communications in light of fragmenting traditional mass-media channels.

Those companies that ignore these significant changes or are slow to respond face an uncertain future undermined by an inability to recognise and respond quickly enough to changing customer needs or effectively to communicate their value to increasingly sophisticated customers.

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