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# WHITEPAPER: CONVERSATIONS AND LIFELINES

**ONLINE COMMUNITY AS “LIFELINE” FOR LISTENING TO AND ENGAGING CUSTOMERS**

THIS PAPER EXPLORES THE POTENTIAL OF PRIVATE CUSTOMER COMMUNITIES TO TRANSFORM THE ORGANIZATION AND ITS PRACTICES

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## PRIVATE ONLINE COMMUNITIES

The strategic employment of private online communities to engage customers and/or stakeholders directly and continuously in the planning and development of company products, services, or marketing has spread rapidly among consumer and business to business brand companies over the past 5-10 years.<sup>i</sup> In the typical private community scenario, the company solicits and manages a pool of customers who agree to interact online with company representatives and/or other customers.<sup>ii</sup> Sometimes the community is asked to respond to materials, other times it may be asked to contribute ideas. Still other times it may be offered the opportunity to act as ambassador for the brand or organization. The result: the company gets instantaneous feedback on its current products, uncovers new ideas, and customer connection is deepened through real-time participation with the company's products, services and marketing campaigns.

The business media has explained the value of using private online communities to both gather insight and spur product advocacy. *Outside Innovation*, written by consultant Patricia Seybold in 2006, chronicles how several mainstream companies such as Staples, Hallmark, and Kraft developed winning products directly through customer input via private, online communities<sup>iii</sup>. Most recently, *Groundswell: winning in a world transformed by social technologies*, penned by Forrester Consultants Li and Bernoff in 2008, suggests that private online communities, properly managed, can serve as both sources of insight as well as avenues for promoting brand loyalty and product "buzz."<sup>iv</sup>

The exercise of reaching outside the confines of the company to spur innovation and refine products, while it employs various forms of social media to accomplish its goals, has proved to be far more than just social in nature. The return on investment can be significant: as reported in a much cited 2006 Harvard Business Review article, P&G executives Larry Huston and Nabil Sakaab identify the following results from their efforts to ask for help from individuals outside the company, individuals ranging from P&G customers to scientists who may have original solutions to consumer needs:

- R&D productivity has increased by nearly 60 percent
- The company's innovation success rate has more than doubled, while the cost of innovation has fallen
- From 2004-2006, P&G launched more than 100 new products for which some aspect of execution came from outside the company<sup>v</sup>

The Internet, with its capacity to connect almost any individual with millions of counterpoints around the globe, has accelerated the ability of individuals to connect on demand. The result is an almost incalculable potential for innovation. Never before has the impulse to connect been expressed and acted upon on such a large scale, and never before have so many disparate individuals come together to help produce products and services that would be, in turn, distributed on a mass basis.

Clearly, how consumer brand companies relate to their customers may be forever changed.

## PASSENGER AS WITNESS

While the business literature has most recently linked the strategic use of private online communities with tangible product and marketing innovation, to date there has been little focus on what we can learn about the impact on the company as it engages in a deliberate collaborative process with its customers and stakeholders.

Passenger ([www.thinkpassenger.com](http://www.thinkpassenger.com)), a leader in the burgeoning field of online brand community, provides an online platform and consulting service, which together enable organizations to listen to, learn from, and build advocacy with their customers. Passenger clients include iconic brands worldwide in the media, automotive, luxury goods, financial, beverage, shipping, apparel, retail, and entertainment sectors.

As a prominent participant in a field in which active listening is a central theme and preoccupation, Passenger wished to explore the impact the private, online brand communities are having on the companies employing them. Passenger engaged Sector Intelligence in 2008 and 2009 to examine the impact its clients' private online communities were having on the companies themselves. We saw this as an opportunity both to meet Passenger's need to understand its client experience better and as an opportunity to bring to light more information about how the use of private online communities is playing out in leading companies.

## WHAT WE DID

To learn more about the potential for enhanced productivity when organizations integrate private online brand communities into their market research and product development processes, in Q4 2008 and Q1 2009 Sector Intelligence carried out in-depth interviews with those members managing the online communities on behalf of Passenger client companies, stratified by industry category and length of time with the Passenger platform. Additionally, we interviewed members of the Passenger team who worked directly with the client companies under study. This research was supplemented with detailed analysis of customer documents (briefs, "community" plans, status reports), as well as secondary research on trends in the use of private, online communities in consumer brand companies. Data from all of these sources were processed and analyzed for patterns and themes using computer-aided qualitative analysis software. Following an analysis of this information, a survey of all Passenger clients and client services staff was conducted to see if the findings could be projected to Passenger clients not directly participating in the initial research. To protect the privacy of Passenger's clients, company and individual names and brands are excluded from this paper.

## WHAT WE LEARNED

In short, Passenger clients appear to have experienced one or more of the benefits attributed to the use of private online communities in the business literature. Depending on the client, we were provided with examples of how the Passenger community was used to **1)** directly garner new product ideas or product improvements; **2)** create

deeper connection between company and customer; **3)** speed the gathering of input on product and marketing concepts; and **4)** use the community to catapult awareness and loyalty via positive word of mouth circulation.

## HOW PASSENGER IMPACTS THE COMPANY

The primary focus for the study was to identify and document the impact the use of private online communities is having on brands as representatives of the consumer brand sector. Below is a snapshot of some of the effects survey respondents report. In **Figure 1 below**, we see that 96% of respondents report that their “marketing department” is deriving value from the Passenger community, while 71% report the same for “market research.” 67% report a positive impact on “product development.”

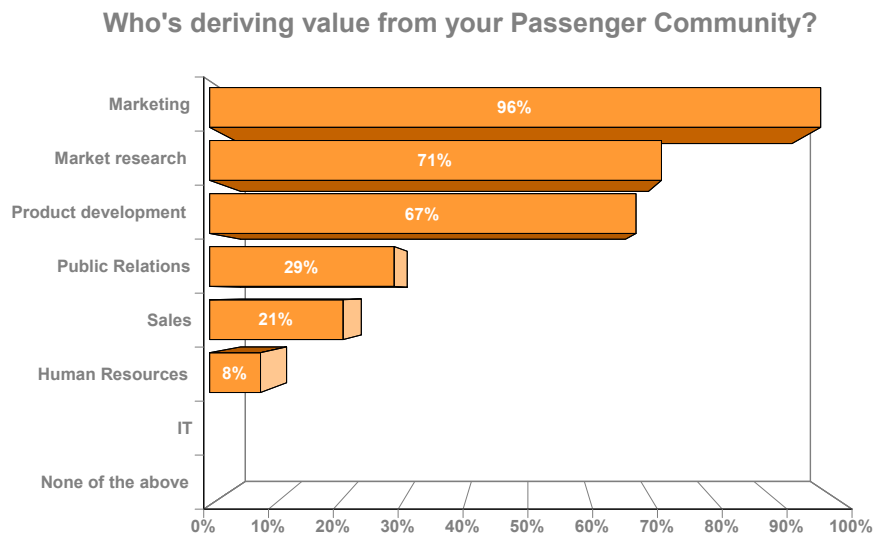


Figure 1: Which of the following departments/functions in your organization are deriving value from your Passenger community?

**Figure 2** below provides more global information: 54% of respondents indicate that the company’s experience with the Passenger community has “changed the way we think about collaboration in general,” while nearly half report that the experience has “changed the way we think about our customers.” These results indicate that a policy shift may be underway in how the companies represented will interact with their customers.

## Impact (change created) of using Passenger Community?

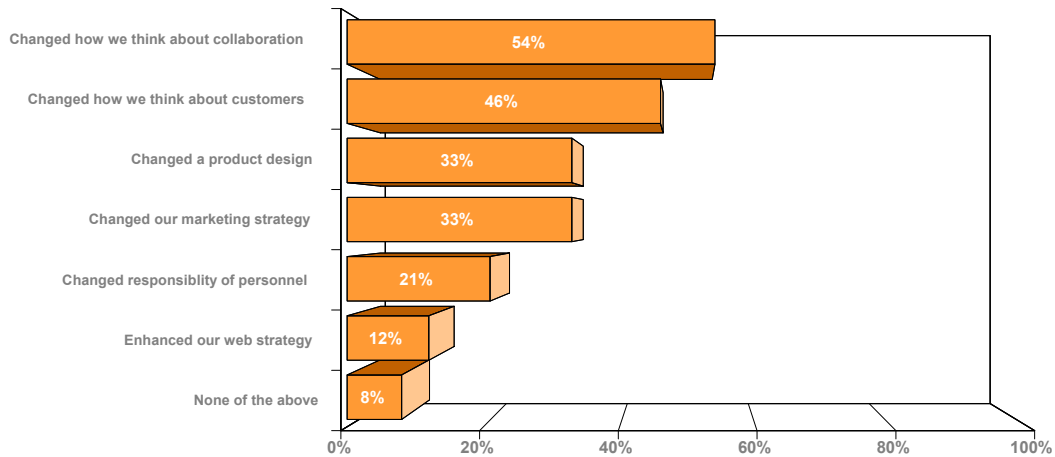


Figure 2: Which of the following do you feel have resulted directly from using your Passenger community?

Figures 3 and 4 below suggest that employment of private communities is having some positive (cost saving) impact on company's investment in and use of traditional research modalities. 43% of survey participants report they use fewer focus groups as a direct result of engaging in collaboration via the private online community while 36% report conducting fewer surveys.

## Reduced number of focus groups needed?

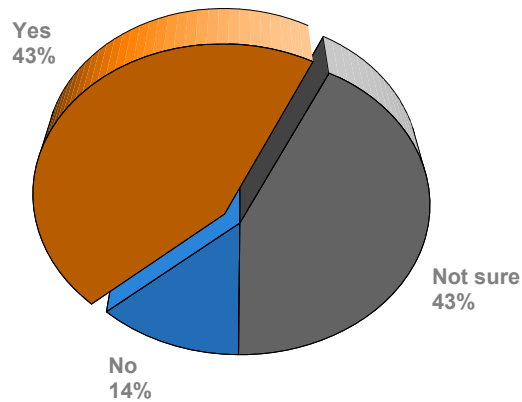


Figure 3: Passenger has enabled us to reduce the number of focus groups we might otherwise have conducted this past year.

## Reduced number of Surveys needed?

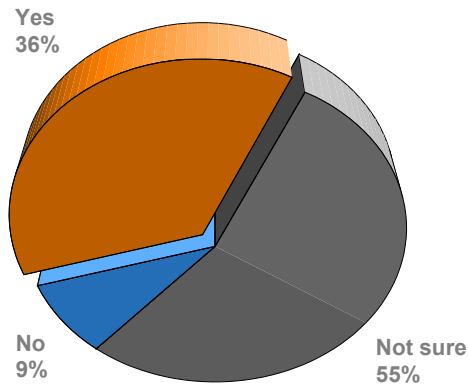


Figure 43: *Passenger has enabled us to reduce the number of surveys we might otherwise have conducted this past year.*

**Figure 6** below indicates the proportion of survey respondents who indicate they've experienced the results presented. 86% report they have experienced "deeper/richer insight into customer needs" while 82% say they have gained the "ability to listen/uncover new questions."

## Results of your community?

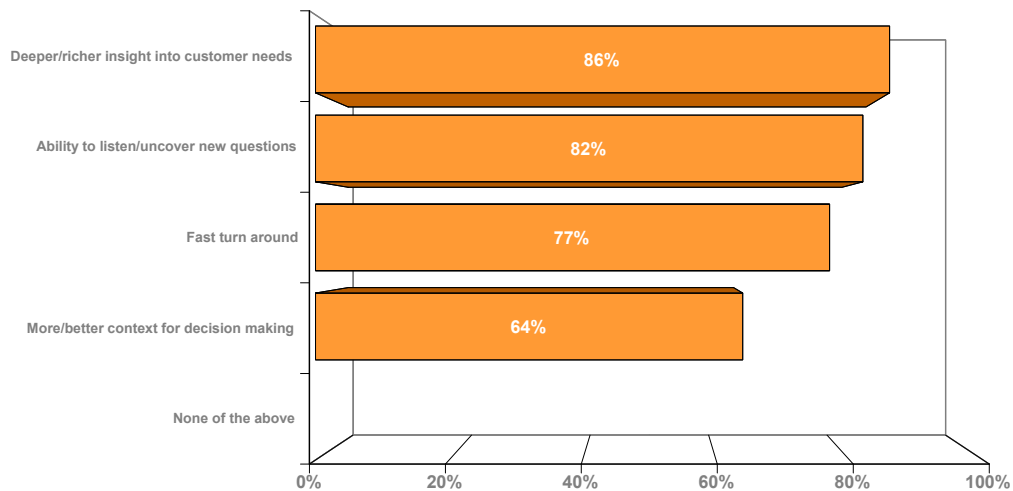


Figure 5: *Which of the following do you feel your community provides (check all that apply)?*

**Figure 6** results suggest that the greater majority of Passenger clients would say the community experience delivers on a key promise: customer insights generated in rapid fashion.

## EXPERIENCE WITH PRIVATE ONLINE COMMUNITIES: TANGIBLE RESULTS

Below, are results from interviews with Passenger clients, as well as from the survey fielded to Passenger's entire client base.

Often multiple benefits are clearly perceived:

*You're enhancing the [customer] relationship by facilitating this conversation. You're enhancing your products and services because you're delivering better quality information from the customer to inform those decisions. And then you're actually able to help activate these customers for your organizations' behalf.*

**Director of Market Insights, Fortune 500 Financial Services Company**

Passenger clients, in varying degrees based on the company; report that they use their communities to:

1. Garner new product ideas or product improvements
2. Improve efficacy of marketing programs
3. Form deeper connections with customers
4. Speed the gathering of input on product and marketing concepts, and
5. Catapult product releases by seeding positive word of mouth circulation

Additionally, many clients report that use of the communities has enabled the company to minimize internal conflict because having the customer "in the room" can settle what normally might be disputes over what the customer "really thinks." This result in effect has in some cases enabled internal product development or marketing decisions to proceed more smoothly, rapidly and ultimately more effectively.

## GARNER NEW PRODUCT IDEAS OR PRODUCT IMPROVEMENTS

Perhaps one of the most obvious potential results of private online communities is gathering new ideas and suggestions for product, service and/or messaging improvement. In the survey of Passenger clients, 86% report that the community provides "deeper/richer insight into customer needs" and 1/3 of those surveyed report that the community input alone has actually changed product designs and marketing plans.

*A private online community infuses new ideas because they are coming directly from the consumer. Without those new ideas, you are forced to come up with innovation from within and if most of the people are thinking the same way, i.e., I sell shirts and I know what kind of shirts are best because I got to the market and, then we're working with all insider perspective.*

**Director, Customer Research & Analysis, Fortune 500 Retailer**

The ongoing conversation, or lifeline, provided by the private online community enables the company to remove the delay in the feedback loop they might ordinarily have

*We definitely used the community's insights to change our marketing communications and to make it better and stronger. We reached out to the community to understand different [messaging] alternatives, and as a result we ended up coming up with [material] that was even better because we combined elements based on the insights from the community.*

**Director, Food and Beverage Manufacturer**

These clients, viewing the utility of community feedback from two different sides of a coin, reflect that this type of direct counsel from customers is a visible and accepted area of potential for private, brand community use.

## FORM DEEPER CONNECTIONS WITH CUSTOMERS

Another way in which Passenger clients report they use the communities is to provide the company as a whole with a more intimate understanding of the customer's mindset and the rhythm of their lives. The deeper connection works both ways. As the company learns more about their customer through active listening, the customer appears to become more 'brand empathetic' as a result of being heard.

A retail client explains the impact of the profound connection generated between the company and its customers that only could have been realized through the community channel:

*We've taken our community to the next level where we have one of the designers do the "look for the month." And [our designer] is so awesome with decorating and putting these outfits together, the women just love him.*

**Customer Loyalty and Research Director, Fortune 500 Retailer**

Here, the community provided a means for connection from deep within the company to deep within the consumer audience. The ability to make these types of physical connections is a feature of the private online communities that appears unique among research and marketing vehicles.

## SPEED THE GATHERING OF INPUT ON PRODUCT AND MARKETING CONCEPTS

While the community enables the company to go "deep" with the customer, it also appears in application to enable the company to go "fast."

One of the more prominently marketed and easily comprehended features of private online communities is the speed with which companies can get answers from their customers:

*The ongoing stream of information enables us to do ongoing market volatility work every week with our communities. We can turn on a dime, with rapid response. It's very iterative and dynamic so we can change our questioning depending on what we learn and depending on what's happening in the markets.*

**Director of Market Insights, Fortune 500 Financial Services Company**

*You could have a business question that comes out of a meeting tonight, we could throw it out to the community tomorrow and we can get back together the next day and talk about what the customer is saying.*

**Customer Loyalty and Research Director, Fortune 500 Retailer**

*With a private online community at our fingertips, we can get feedback that is actionable in a really quick period of time.*

**VP of Research, Television Studio**

## BRING CUSTOMERS TO LIFE AND SEED POSITIVE WORD OF MOUTH CIRCULATION

Private, brand communities, depending on the industry and how the client company is run, can serve equally as market research or proactive marketing channels. Some survey participants have experienced direct marketing and message propagation benefits from the customer interaction the community provides.

*There is content coming into us that we can understand from the customer and there is content going out so that we can also educate the customer and ultimately turn some of them into word-of-mouth advocates for us.*

**Director of Client Loyalty, Automotive Manufacturer**

Depending on the customer and their marketplace, the brand community can be used effectively as both a data-gathering and data distribution vehicle.

*When we talk about activating our influencers, it's all about viral marketing, word of mouth marketing, designing campaigns where they help us create content, they help us create products and services or seminar or programs and then we activate them to participate in that. I have this little Petri dish of fifteen hundred advocates.*

**Director of Market Insights, Fortune 500 Financial Services Company**

The ability to use the community as a marketing channel then is tied to how effective the community is at engendering loyalty between the company and its customers. The former will likely not succeed without the latter.

## IMPROVE INTERNAL PRODUCT DEVELOPMENT AND MARKETING PROCESSES

Finally, one of the more interesting results Passenger clients report is not as readily visible. 64% of Passenger clients surveyed reported that the community has improved the context for decision-making within the company. In some cases Passenger clients report that prior to having the community, internal wrangling over what the customer “really thinks” interfered with effective product or marketing development. By placing some direct customer input “at the table,” a company may diffuse tension between internal.

These tangible results that survey respondents have shared with us — generation of new perspectives and ideas, the formation of a deeper connection between company and client, speed and convenience in gathering needed feedback, development of support for marketing initiatives, and the potential for streamlining internal decision making — create a picture of an exchange companies will increasingly seek to cultivate and maintain. The world is growing ever more connected, ever more “relationship” centric. Companies need to operate in a contemporary manner, both embracing and leveraging how current and future generations of customers will be socialized to relate to one another and to organizations.

## PROFILE OF COMPANIES WHO ARE USING PRIVATE ONLINE COMMUNITIES

In the interest of establishing a baseline understanding of the type of company that may host a private brand community, survey participants were asked to characterize the extent to which they perceived their companies to be “innovative” or “risk-oriented.” In **Figure 6** below, we see that the respondents operate in an environment that appears to value outside ideas and innovation while simultaneously may be slightly less tolerant of risk.

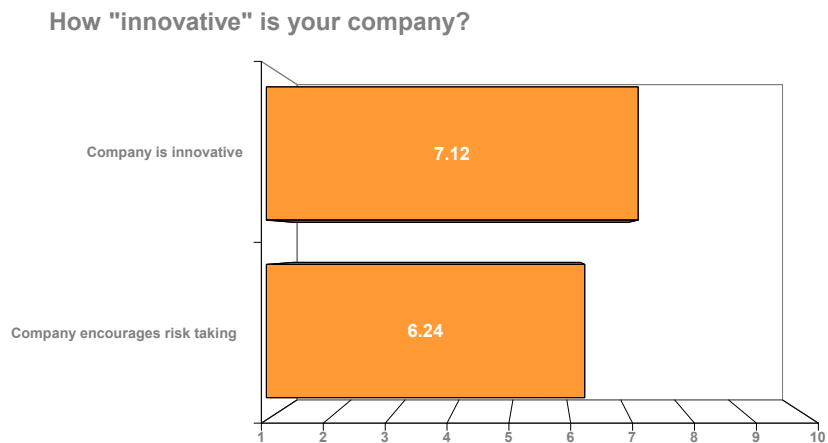


Figure 6: Respondent Ratings of Their Companies' Orientation toward Innovation and Risk (Scales: 1-10; 1=Not at all innovative/10=Very innovative; 1=Not at all encourages/10=Highly encourages)

Those who currently manage private online communities for their companies appear on the whole to perceive their companies as customer focused and oriented toward innovation. We will be interested in how this perception tracks as these companies develop a greater experience base with private online communities; in other words, how the experience may or may not transform the company's capacity for innovative practice as a whole.

## CONCLUSIONS: BUILDING LOYALTY THROUGH CONVERSATION

*I describe it as a conversation. In research our job is to bring the customer alive, and this is our opportunity to do that. Fundamentally it's a way to get to know our customers much, much better. [We can learn] the nuances of their thinking and the role that financial services play in their lives. [We learn about] their real daily ongoing interaction with their money and how that is so tied to their well-being.*

**Director of Market Insights, Fortune 500 Financial Services Company**

Ultimately, the study indicates that the "conversation" component of these communities, regardless of brand or product, is unique among interactions the company engages in to form a connection between brand and customer. The conversation simultaneously creates a platform for developing that connection over time, increasing in intensity and in level of empathy customer and company feel for one another.

Specifically -- the conversations generated in private online communities, appear to constitute a "lifeline" between the company and its marketplace, and, in some cases, across departments within the company. Speed of access, the perception that candid feedback is provided, and the sense that the community can be "turned to" for input at almost any moment leads to a sense of security akin to having the support of a close family member, friend, or support group. The "community" feature turns real in that it becomes something that one can lean on, rely upon, or "go to" when needed. It suggests that as the world moves ever closer to ubiquitous connection and the constant re-formation of new groups and affiliations is the norm for the average citizen, the lifeline between company and customer will become an essential tool for companies to stay connected with their customers.

The characteristic of "continual conversation" is present in no other form of research or interaction the company has with its marketplace. The "ongoing conversation" or "lifeline" feature of dedicated, private online communities is unique. It alone has the capacity to maintain a company's sense of customer connection in good times and bad.

Further, this perpetual feeling of connection can gird the company's sense of relevance in the marketplace. As direct contact with customers becomes part of a company's normative behavior, rather than something it does, for example, from time to time in a public relations campaign, the company and customer together reinforce their relevance to one another. A relationship is fused which cements each party as a relevant fixture in the other's life.

This relationship appears to be continually deepened because it tends to engender honesty and trust — strengthening brand loyalty. It allows the participants to get used to the collaborative environment and over time feel they can be forthright with their beliefs and opinions in the name of improving the brand or product.

The ultimate goal of innovating products and generating positive word of mouth is to solidify both the sense of connection and relevance the company feels with its marketplace and the sense of loyalty the customer feels for the brand.

## BUSINESS IMPLICATIONS OF THE “CONVERSATION” FOR THE ORGANIZATION

The implications of the conversation are not limited to developing new research or marketing channels; the implications of having a constant lifeline to key customers extend to *change how the company structures its organization and behavior* around building customer connection and loyalty — in many cases a cultural shift that may begin with the activities of the online community and extend, incrementally, deep into the organization.

Below are phenomena worth exploring and tracking based on an assumption that the customer engagement is ultimately perceived by the company as a lifeline to the marketplace.

Consider:

1. Within the company, the “lifeline” that enables multiple parties to join the conversation directly with the customer to increase the relevance of company departments to one another. The departments are joined in the conversation, and what might previously have been an environment for debate over what the customer “truly thinks,” internal departments now have an actual customer voice “in the room.”
2. Word of mouth is likely to become a more central part of a company’s future marketing strategy as it learns to integrate loyal customers into the brand strategy. The company will have the impulse to take a positive conversation and “write it large.” The “intimacy” created in the context of ongoing conversation can be a powerful model for connecting with the customer base as a whole and learning how to engender customer loyalty in the marketplace as a whole.
3. A sense of trust between customer and company is also likely to be engendered through the “promise-delivery” cycles experienced as part of the collaboration process. Customers participating in the community experience a consistency of delivery (if the community is working) and this sense will reverberate through word of mouth to the larger community of customers.

Perhaps the most noteworthy aspect of the strategic use of private online communities is its transformational potential; it is constant, interactive, and dynamic, and can connect real customers with personnel deep within the organization, thereby introducing outside influence that bypasses the normal “gates” of the typical consumer brand company.

## LOOKING FORWARD

This paper has explored a burgeoning practice among organizations of all types, but particularly among companies whose contact with customers is presumed to be most immediate and critical to the health of the organization.

Aided by connection among peers and the plethora of options for obtaining access to products and services via the Internet, consumers are now more educated and able to move from brand to brand with greater ease. The necessity for establishing a “lifeline” between company and customer has never been greater, but has coincided with the availability of technology poised to meet the challenge. This lifeline paradigm describes customer engagement, advocacy and insight in leading companies.

We hope to be able to track the progression of this phenomenon that has such far reaching implications for the economy and for the delivery of services in our future.

Ahead, our next focus will be on the consumer side of the “lifeline” equation; we will be examining the impact participation in the company sponsored online private community is having on the consumer’s perspective. Passenger has made access to the activity of consumers in its client environments possible for this purpose. Our analysis of these data will provide the basis for the next whitepaper we deliver on this topic.

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<sup>i</sup> Libert, B. and Spector, J. (2008). *We are smarter than me: how to unleash to the power of crowds in your business*. New Jersey, Pearson Education, Inc., p. 5. See also Tapscott, D. and Williams, A.D. (2006, 2008). *Wikinomics: how mass collaboration changes everything*. New York: Penguin Group.

<sup>ii</sup> Different private online community providers have different policies with respect to recruiting/including customers in the community. Some offer a cash incentive for participation, while others do not. Beyond incentive policy, the mode of recruitment and rules for participation may vary.

<sup>iii</sup> Seybold, P. (2006). *Outside Innovation: how your customers will co-design your company’s future*. New York: Harper Collins.

<sup>iv</sup> Li, C. and Bernoff, J. (2008). *Groundswell: winning in a world transformed by social technologies*. Boston: Harvard Business Press, pp. 60-61.

<sup>v</sup> Huston, L. and Sakaab, N. (2006). Connect and Develop: Inside Procter & Gamble's New Model for Innovation," *Harvard Business Review*, 84(3).