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VIRTUAL COMMUNITIES AND THEIR POTENTIAL AREAS OF INFLUENCE ON DECISION MAKING IN ENTERPRISES

Summary. This article presents the phenomenon of virtual communities and its influence on enterprises. The authors briefly describe the emergence of the virtual communities phenomenon. The authors present virtual communities as a source of consumer information, as well as virtual community-based consumer movements to illustrate their possible threats and opportunities for enterprises. Finally, possible areas of influence of virtual communities on decision making in enterprises are discussed.

Keywords: virtual community, consumer information, consumer movements, decision making in enterprises.

POTENCJALNE OBSZARY WPŁYWU WIRTUALNYCH SPOŁECZNOŚCI NA PODEJMOWANIE DECYZJI W PRZEDSIĘBIORSTWACH

Streszczenie. Artykuł prezentuje zjawisko wirtualnych społeczności oraz ich wpływu na przedsiębiorstwa. Autorzy zwięźle opisują genezę zjawiska wirtualnych społeczności i przedstawiają wirtualne społeczności jako źródło informacji konsumenckiej, a także oparte na nich ruchy konsumenckie w celu zilustrowania szans i zagrożeń, jakie wirtualne społeczności mogą przynieść przedsiębiorstwom. Autorzy rozważają potencjalne obszary wpływu wirtualnych społeczności na podejmowanie decyzji w przedsiębiorstwach.

Słowa kluczowe: wirtualne społeczności, informacje konsumenckie, ruchy konsumenckie, podejmowanie decyzji w przedsiębiorstwach.

1. The virtual community

The last few decades brought a progress in information technology that surpassed any expectations. Computers evolved from primitive, bulky and hard to operate machines into small, user friendly tool that almost everyone uses on a daily basis. But apart from the rapid

evolution of computers themselves, information technology witnessed another wonder – the possibility of connection and interaction between these machines – and *computer-mediated communication* (CMC).

From the early attempts of the military ARPANET and the university networks, through emergence of the Internet and the World Wide Web, to Web 2.0 and mobile access, people were given the opportunity to communicate. And from CMC emerged another phenomenon – the *virtual communities*. First known definition of virtual communities was given by Howard Rheingold in 1993 [15]:

“*Virtual communities* are social aggregations that emerge from the Net when enough people carry on those public discussions long enough, with sufficient human feeling, to form webs of personal relationships in cyberspace”¹.

Rheingold describes the “Net” as “an informal term for the loosely interconnected computer networks that use CMC technology to link people around the world into public discussions” – and it is worth noting that the definition was formed from his participation in the WELL (Whole Earth ‘Lectronic Link) – a *bulletin board system* (BBS) founded in 1985 – years before the first WWW page was created, and the term “Internet” was commonly used. This fact alone may input that the virtual community (hereafter VC) phenomenon is not as old as the Internet, but as old (or almost as old) as CMC itself.

The phenomenon quickly gained attention among various researchers. While Rheingold’s definition of the VC may be the first, it is most definitely not the last. Schröder and Hölzle [16] compared 33 definitions of VCs in 2010, and it is probably safe to say that this number is not the total. Among those definitions, Dholakia et al. see VCs as “consumer groups of varying sizes that meet and interact online for the sake of achieving personal as well as shared goals of their members” [6]. Armstrong and Hagel in 1997 described VCs as “groups of people with common interests and needs who come together on line. Most are drawn by the opportunity to share a sense of community with like-minded strangers, regardless of where they live” [1]. The authors further point out the business meaning of VCs: “What starts off as a group drawn together by common interests ends up a group with a critical mass of purchasing power, partly thanks to the fact that communities allow members to exchange information on such things as a product’s price and quality”.

¹ *Cyberspace* is a term used to describe a conceptual space created by the means of CMC, borrowed from William Gibson’s sci-fi novel *Neuromancer*.

2. A source of consumer information

Kotler suggests that consumer information sources divide into four categories:

- personal: family, friends, neighbours, acquaintances
- commercial: advertising, sales force, dealers, package, exposition
- public: mass media, consumer organizations
- empirical: servicing, exposure and use of product [7].

Virtual communities enable participants to publicly discuss every given topic. And given that consumption is an important part of our modern life, it is most probable that every VC – no matter what is its type or main theme – sooner or later will discuss products, services, brands, their quality and availability. Therefore, VCs create a unique source of consumer information, combining those categories:

- VCs may serve as a **personal** source, since they enable its participants to “meet” other people and interact with them (even if they never actually see each other in real life), sooner or later forming emotional relations (of varied level), as in Rheingold’s definition,

- VCs are a **public** source, since most VCs are open, inclusive, and provide the possibility to browse (or “lurk”, as VC researchers tend to call it) through all public conversations, from the whole “lifespan” of VC, without any registration required. VCs may even sometimes be the birthplace of consumer movements.

- VC’s **empirical** dimension evince through participant’s sharing of experience with given products, services, brands, etc.

While the **commercial** dimension of VCs is not as straightforward as the other ones, it does not mean it does not exist – sometimes the companies may interact in one way or another with the community, the community itself may in fact be initiated either by company or by net surfers themselves, with or without company’s support [2].

In 2001, Bickart and Schinder [3] suggested, basing on their literature study, that:

- Internet forums may have greater *credibility* than marketer-generated information, since information from a source that is perceived to be more trustworthy can lead to a greater persuasiveness of that information.

- Information exchanged on Internet forums may be more *relevant* to consumer than market-generated information, since the perception that a source is similar to the receiver can also lead to an increased persuasive influence (based on various research).

- Internet forums have a greater ability to generate *empathy* among readers, as opposed to marketer-generated information, since stories of personal experience dominate Internet forums. The authors point out several ways that empathy can influence consumer behavior.

Based on these findings, the authors conducted a research in which half of the participants were exposed to Internet forums and bulletin boards, while the second half were exposed to

corporate websites – both related to specific topics. The outcome of the research showed that participants exposed to Internet forums report higher:

- purchase likelihood of products in a given category,
- expected spending on products in a given category,
- perceived knowledge about product category,
- frequency of thinking about product category,
- interest in product category,

than participants exposed to corporate websites.

This research (among others) is a good proof that virtual communities may indeed be an influential source of consumer information – far better than “pure” marketer-generated content – at least from the consumer’s point of view. From the company’s point of view, at first this also may seem as a profitable phenomenon. After a closer look, two serious problems occur. First, that VC members discuss not only the given company’s products, services, or the company itself, but also the competition, second – that there is no guarantee that they will only speak well of the company.

3. A possible threat

There is little chance that nowadays a company can – for example – hide a flaw in their operations, cover the expenses by raising prices (in comparison to other companies), or by providing poor quality – and expect the consumers not only not to notice, but also not share this information with others. Consumers are free to discuss whatever they like – and they do. There is no way the companies can prohibit them from saying what they think, no matter if it’s *bad for business*. McWilliam [11] discusses examples of how different companies tried to control their hosted VCs – and shows that sometimes control may in fact do more harm than good. Indeed, history proved lots of examples of sites or companies that tried to control the public opinion i.e. simply by “banning” or suing anyone who they thought was “harming” the company – let alone quite recent Sony’s problem with the Anonymous group². McGriff [10] shows numerous examples of various online consumer boycotts, that forced serious consequences for the companies (i.e. reduced pricing, stop taking fee for given services, pulling given products from the market). Cova and White [5] study the case of counter-brand and alter-brand communities; counter-brand communities are communities formed by participants of a given brand community, that rejected their loved brand in favor of another.

² It all started with George Holtz, who hacked Sony’s console, PS3, allowing the installation of third-party software, and posted the instructions to do so in several places in the Internet. Sony took Holtz to court, and not only requested removal of the instructions, but also the IP addresses of anyone who might have the access to them. In result, the hacker group Anonymous broke into Sony’s Playstation Network service and stole personal (including banking) information of over 70 million users.

The new brand is drawing those participants with actions, ideas, policies, and/or values contrary to that of the original brand, with which the participants were dissatisfied. Alter-brand communities on the other hand, are build by members themselves, to reach a common goal; those communities, as described by the authors, are based on co-creation and develop their own services and rules. While not being a formal company, thus not an “actual” competitor, those communities may pose as an indirect competitor for companies – providing alternative products or services³.

4. A possible advantage

Not all VCs and VC-based consumer movements have to be harmful to the company; there are numerous examples of communities that may in fact help the company in many ways. Munitz and O’Guinn researched the phenomenon of brand communities. They define the brand community as “a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand” [12]. Based on their research, Munitz and O’Guinn pointed several functions carried by brand communities on behalf of the brand:

- sharing information (concerning the brand),
- perpetuating the history and culture of the brand,
- providing assistance,
- providing social structure to the relationship between marketer and consumer,
- exert pressure on members to remain loyal to the collective and to the brand.

Munitz and O’Guinn in their research focused more on the “real life” communities, interviewing brand community members and participating in their activities. They do nonetheless emphasize the growing importance of the Internet and CMC⁴. There is no reason for brand communities not forming entirely in cyberspace; the concept of “purely” virtual (or “online”, as the name some researchers prefer) brand communities is indeed popular among researchers.

The consumer activities in virtual communities may foster not only brand awareness. Among the functions listed by Munitz and O’Guinn, “providing assistance” may be particularly useful for companies. Armstrong and Hagel [1] give the example of a software developer that was buying software packages from a global supplier for further processing. Without the proper service from the supplier, the developer formed a community with other

³ Authors illustrate the idea of counter-brand communities with the case of CouchSurfing – a virtual community, which members provide each other with accommodation or serve as tour guides in their own city. This community can pose an indirect threat to hotels, travel agencies, and other tourism-related companies.

⁴ This emphasis evince even in their definition of the brand community - as the “non-geographically bound”, on the contrary to most definitions of “traditional” community, in which shared territory is a basic property.

consumers to help each other solve problems. As a result, the community provided far better service than the supplier on his own (not to mention that the supplier didn't have to pay absolutely anything for this form of customer service). The feedback gathered this way was later used by the supplier to improve later versions of its products.

This takes us directly to probably the most underestimated possibility of VCs – “prosumption” – a recently popular term used when the consumer not only consumes the good, but also co-creates the value related to the good, either for himself, the good producer, or other consumers. Among others, Prahalad and Ramaswamy [13], Tapscott and Williams [17], Schröder and Hölzle [16] focus heavily on co-creating the value with consumers and the incomes a company may gain from the process. Virtual communities – by nature – may be a perfect field, when it comes to any form of consumer innovation – finding new uses of existing products, creating useful modifications, new product/service ideas or simply coming up with new advertising slogans. Even if the community users do not come up with innovations directly, Armstrong and Hagel's mentioned example show the possibility of creating a massive database of user knowledge and experience, that can surely help the company.

Many researchers agree that VCs may provide a useful source of marketing information, in fact, there is a growing number of companies that offer analysis of various community or social media data concerning market trends and opinions about a given company. Conducting a market research based on VCs may introduce a new problem; VCs are a relatively young phenomenon and therefore researchers often tend to argue about the proper methodology. One of the most popular approaches is “Netnography” (also known as “webetnography [14]”) – a method combining ethnographic tools, modified for the use in VCs. Kozinets, often referred to as the creator of Netnography (although he refuses the credit for it), wrote a compendium concerning conduct of this type of research [9] and also encourages to use this method in marketing [8]. While being a qualitative method, Netnography (and its related tools) is opposed to newer, faster, mostly automated quantitative methods like social media monitoring (SMM). SMM is based on automatically collecting internet user's opinions containing a name of a given company across different communities or social sites, and (also automatically) analyzing the opinions. This method, however, proved to be radically less accurate than qualitative methods, partly due the limitation of software's ability to analyze the context of gathered data [4].

5. A decision to be made

As presented earlier in this paper, VCs are a complex phenomenon, that may pose as both opportunity and a threat. This bilateral nature was visible in 1997, when Armstrong and Hagel

pointed out potential implications (positive marked as “+” and negative marked as “-“) of VCs for marketers (see Table 1).

Table 1

Potential implications of communities for marketers

-	+
Reduce emphasis on value of vendor's brand	Expand demand for product/service
Facilitate price comparisons	Increase word-of-mouth promotion of product/service
Allow comments to be made on product/service in public, not in confidence	Stimulate customer feedback
Increase volume of information to be analyzed	Generate richer information on customers and markets
Change the rules of advertising/promotion	Eliminate separation of advertising and transactions
	Allow advertising to be seen as helpful, not intrusive

Source: Armstrong A., Hagel J. *Net Gain. Expanding Markets Through Virtual Communities*, The McKinsey Quarterly 1997, no. 1, p. 142.

Armstrong and Hagel listed several departments that may be influenced by VCs, among others focusing on strategic planning, information systems management and human resources management. This findings however, were limited to marketing perspective.

Basing on our literature study, and having in mind the variety of VCs and their opportunities and threats, we came up with several questions that a company may face in the age of VCs.

1. Should we try to create a VC, support existing VC(s) or simply monitor them?
2. What will be the aim of the VC(if we want to create/support one)? What do we want to achieve?
3. Do we have the skills needed to manage/support/research a VC?
4. Do we have to workforce needed to manage/support/research a VC?
5. Do we have the technology needed to manage/support/research a VC?
6. How will we conduct research in VC(s)?
7. How can we promote the company using VC(s)?
8. How will we build the VC? How to promote participation/support/prosumption?
9. What will be the level of interaction between the company and the VC?
10. What will be the level of control over VC?
11. How can we use consumer innovation?
12. How will we react to dissatisfaction, boycotts, consumer movements?
13. Do we have the money for it?

Some of these questions may seem quite easy to label for different departments. At least partially, we have to agree with most important departments proposed by Armstrong and

Hagel. Growing number of cases of both good and bad (or none) relations between companies and VCs clearly show that the phenomenon is simply too important to be ignored. That is why the company's standpoint towards VCs should be decided at strategic level (questions 1 and 2). Marketers need to learn how to cope with VCs both as a target of research and promotion (questions 6 and 7). Running a properly operational and user-friendly VC, supporting the VC or conducting different types of research may require efficient hardware and/or software (which is the IT department's problem – question 5) or properly skilled staff (which is the problem of HR – questions 3 and 4). Apart of that, other questions seem to blur between different areas of the company. The research and development department may be influenced by VC's innovation, presumption (question 11), as well the outcomes of consumer research. To know when and why the Internet users are dissatisfied, marketers have to conduct research; reaction to this dissatisfaction (question 12), on the other hand, seem like a job for a company spokesperson from the PR department. Technically all questions 1-12 are connected with question 13, which will influence the finance department.

It is hard to tell who should answer questions 8-10. Our ongoing study shows however, that companies successful in cooperation with VCs solved the problem by creating entirely new departments, formed solely for community management – forcing the companies to completely reform their structures. The phenomenon of VCs changed not a part of the Internet, but the Internet as a whole – and so it does with companies.

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Omówienie

W pierwszej części artykułu autorzy starają się przybliżyć pojęcie wirtualnych społeczności na podstawie międzynarodowej literatury naukowej. Następna część ukazuje wirtualne społeczności jako istotne źródła informacji konsumenckiej. W trzeciej części artykułu przedstawione są potencjalne zagrożenia płynące ze zjawiska wirtualnych społeczności i swobodnego przepływu informacji pomiędzy konsumentami. Autorzy wskazują internetowe bojkoty, ruchy konsumenckie, a także konsekwencje prób nadmiernej kontroli przepływu informacji w Internecie przez firmy. Czwarta część ukazuje możliwe

korzyści zjawiska wirtualnych społeczności dla przedsiębiorstwa, takie jak: budowanie wizerunku marki, wsparcie i pomoc techniczna, innowacje, źródło informacji o rynku i klientach. Ostatnia część zawiera dyskusję nad podejmowaniem kluczowych decyzji dotyczących relacji przedsiębiorstwa z wirtualnymi społecznościami.