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Executive Summary

Online communities deliver significant business benefits – but community leaders struggle to measure value using metrics that resonate with business stakeholders. That’s the key takeaway from Leader Networks’ survey of more than 271 marketing and community professionals. Although 92% of community leaders believe that their online communities have an impact on the business, 35% lack meaningful metrics to report success in business terms.

In the survey, marketing and community leaders share their insight in five key categories:

1. Competitive advantage

   Competitive advantage means keeping existing customers for most firms –

   For the majority of marketing and community leaders (57%), competitive advantage means retaining current customers. Despite this finding, leaders provided the fewest metric examples in the retention arena. What’s more, 37% of organizations have not integrated their communities with the company’s CRM system, which prevents community leaders from syncing interactions and data across the customer lifecycle.

2. Bottom-line growth/savings

   There is a burning need for better reporting on community

   45% of marketing and community leaders say that their community reduces costs for their organization. However, an additional 37% don’t know if their community saves them money on support, customer retention, marketing, or other expenditures. And 25% don’t know or don’t track their community expenses in total. Most concerning, when we asked, “How are savings measured?” the number one answer was “guessing.”

3. Top-line growth/revenue

   Communities are producing revenue – in substantial amounts – but it takes time.

   49% of community leaders say that their community generates or influences revenue. But mature communities have a greater impact on top-line growth. In fact, more than half of communities that saw a revenue gain of greater than $1M last year are at least five years old.
Executive Summary

4 Influence and operations
Marketers are at the helm of online communities – which is an incredibly strategic position.
Marketing is the primary owner of the community for most organizations (79%) although many other lines of business are involved in community initiatives. This status puts marketers in a highly visible and relevant role: conducting an orchestra of departments to create and sustain relationships with the business’ most critical assets – customers, partners, and employees.

5 Measures of success
Business-focused metrics are nascent – but a standard of measurement is emerging.
72% of community leaders face challenges related to analyzing and reporting data – and an additional 22% lack reporting tools. However, marketing and community leaders shared the top community success measures they are tracking – ranging from vanity and baseline metrics to sophisticated business-focused metrics.
Executive Summary

We codified these methods into a Community Impact Framework that marketing and community leaders can use to quantify the value of their online communities.

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<th>TACTICAL METRICS</th>
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<td>Tracks correlation between community membership and customer retention.</td>
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<td><strong>Marketing and Sales Metrics</strong></td>
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**EXAMPLE METRICS**

- Membership growth, time on site, and community newsletter opt-outs.
- Number of participating/contributing members, net new vs. returning contributors, posts or replies per time interval.
- Content reach, shares and comments as well as event registrations.
- Time to resolution, ticket deflection, number of accepted solutions.
- Customer retention due to community/renewal rates, NPS score for customers who are community members, customer churn reduction.
- New ideas generated, new ideas implemented, increase in specific operational efficiencies (e.g. meeting reduction or uptake of new product).

This framework provides both a real-world look at how community leaders are currently tracking community impact – while demonstrating that metrics (of all kinds) must align with and support business goals to be relevant.

Just as Globally Accepted Accounting Principles (GAAP) provide the framework for financial accounting, the Community Impact Framework offers an initial set of standards for measuring community value. With this framework in hand, marketers and community leaders can move toward linking online communities and competitive advantage.
About this Study

The *Business Impact of Online Communities* is a Leader Networks research report sponsored by Higher Logic and The Conference Board. The report is based on an online survey of more than 271 marketing and community leaders, who completed it between November 7 and December 1, 2016. Participants work for a range of industries including computers, non-profit, healthcare/medical, education, marketing/market research and PR, manufacturing, Internet, consulting, publishing, and legal. All results were analyzed by the following segments. Significant differences are noted on the relevant slide. Business Type: B2B, B2C or Both B2B and B2C, Association / Non-Profit Community Type: Customer or Other Age of Community: 2 Years or Less, Just over 2 to 5 Years, 5 Years or More

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**Organization by Type**

- Business to Business: 41%
- Association/Non-Profit organizations: 34%
- B2B and B2C: 13%
- B2C: 7%
- Other: 5%

**Job Title**

- Senior manager/manager: 41%
- Marketing/digital and/or communications executive: 27%
- Senior director/director: 19%
- Strategist: 12%
- CEO or president: 11%
- Other: 6%

**Community Size**

- Under 1,000: 19%
- 1,001 to 5,000: 16%
- 5,001 to 10,000: 15%
- 10,001 to 50,000: 27%
- More than 50,000: 23%

**Community Type**

- 73% of respondents have a Customer Community
- 46% have a Customer Community and either an Employee or Both Employee and Partner Community
- 30% have a Customer Community and either a Partner or Both Employee and Partner Community
- 6% ONLY have an Employee Community (no Customer or Partner)
- 3% ONLY have a Partner Community (no customer or employee)

**Community Age**

- >1 Year: 14%
- 1-2 Years: 16%
- 2-5 Years: 34%
- 5-8 Years: 20%
- 8+ Years: 17%
Business Impact

For most organizations, competitive advantage means keeping existing customers.

A solid digital strategy, aligned with business goals, can be a game changer. But what game are organizations trying to change? That was the question we asked first: “What does digital competitive advantage mean to your company?”

We asked this question at large – not about community initiatives but to baseline the organizations’ priorities – and found that customer retention topped the charts (57%), followed by customer intimacy (48%).

What does digital competitive advantage mean to your company?

(Select your top three)

- Customer Retention: 57%
- Customer Intimacy: 48%
- More Innovation: 40%
- Market Awareness: 40%
- Increased Sales: 37%
- Cost Reduction: 18%
- Strengthen Partnerships/Supply Chain: 13%
- Speed to market: 10%
- Better risk management: 5%
- Others: 9%

The top “Other” response was “customer/member engagement”

Naturally, to achieve this enterprise goal, marketing and community leaders must ensure alignment across their marketing goals as well as their community goals. However, when asked how they measure community success, they provided the fewest examples in the customer retention and satisfaction arena.

Responses to the question, “What are the top three to five success measures your community tracks?” included, “The number of member/customer testimonials gathered through the community platform” and “Net Promoter Score (NPS score) for customers in the community.” Although these are important statistics, they are not quantifiable metrics that link the community to the organization’s customer retention and intimacy goals. The takeaway? Community leaders may not be measuring what matters most.

Associations and Non-Pros are more likely to identify competitive advantage as customer retention (74% vs. 50% of other business types) and less likely to identify it as increased sales (19% vs. 49%).

50% of B2B and B2C organizations are focused on reactive vs. proactive measures, having identified customer retention as a top means of competitive advantage.

Expert Insight

“When making the case for business impact, especially with leadership, highlight the community’s ability to create strong and long-term relationships – providing an edge over competitors. Demonstrate its ability to analyze customer behavior and pain points to develop state-of-the-art, first-to-market solution offerings. Community provides a platform for new ideas and thought leadership to emerge.”

The Cognizant Connections community team
Communities are having a significant impact on the organizations that run them.

Nearly all – 92% – of marketing and community leaders report that their community has an impact on the organization. And 25% says it’s a large impact.

To dig deeper, we looked at how organizations are using their employee and customer communities to make an impact.

Employee communities help teams work more efficiently – and provide better support to customers and partners.

The majority of organizations – 68% – use employee communities to bring teams together to collaborate more efficiently. More than half use communities to find experts to better support customers and partners. It’s interesting to note that the top two responses to this question about employee community impact also have a customer-facing impact.

How does your organization use its Employee Community? (Select all that apply)

- Bring teams together to collaborate faster or better: 68%
- Find experts to better support customers or partners: 52%
- Create and sustain a unified culture across the org: 48%
- Connect people to the org to increase employee retention: 44%
- Engage employee advocacy programs: 32%
- Scale employee training to reduce cost & ensure: 16%
- Other: 28%

There were no consistent themes among the “Other” responses.

Expert Insight

“I have a monthly meeting with leadership where I report on the efforts and successes of the community. They are active on the community and I will often direct them to specific conversations. When leadership has their own set of experiences and successes in the community those become powerful stories to draw upon in communicating the value of community across the organization.”

Lesley Lykins, Director of Member Engagement, The Customer Experience Professionals Association (CXPA)
**Customer communities are powerful research channels.**

69% of marketing and community leaders – close to seven in ten – use their customer community to listen to member needs so they can market better. They also use the community as a research channel to identify customer champions and or detractors (55%), surface trends for potential future development (52%), and spot and resolve product or service issues (52%).

### How does your organization use its Customer Community?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Listen to member needs to market better</td>
<td>69%</td>
</tr>
<tr>
<td>Identify customer champions and/or detractors</td>
<td>55%</td>
</tr>
<tr>
<td>Surface trends for potential future development</td>
<td>52%</td>
</tr>
<tr>
<td>Spot &amp; resolve product or service issues</td>
<td>47%</td>
</tr>
<tr>
<td>Broadcast info to enable cross &amp; up selling</td>
<td>36%</td>
</tr>
<tr>
<td>Connect member data to customer relationship data</td>
<td>33%</td>
</tr>
<tr>
<td>As a sales information channel</td>
<td>21%</td>
</tr>
<tr>
<td>Sell products or services directly</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
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</table>

Listening is key to responsiveness, but it’s just the tip of the impact iceberg. We predict that customer communities will become even more crucial as a source of new product and service ideas and as a channel for sales to engage with prospective buyers. We validated our hunch with the findings from the next question, which focused on the future of communities.

**B2B firms are more likely to use the community to inform their customer of additional products and services (cross sell and up sell) – (49%) compared to B2C/Both (21%) or Association/Non-Profit organizations (26%).**

**Expert Insight**

“Protech recently deployed the Protech User Group (PUG) Ideation Lab within its PUG community. The Ideation Lab is a place for Protech Users to post ideas on how to improve Protech products and services, as well as vote on existing ideas. The ideas that receive the most votes will be considered for inclusion in Protech’s next product release. The PUG Ideation Lab and the PUG community as a whole enable Protech to work alongside our current customers to make sure we deliver the highest quality products and services.”

**Matt Bruffey,**
Director of CustomerCare, Protech Associates
Organizations plan to integrate communities with operations and implement better analytics.

Looking forward, we asked, “How is your organization planning to leverage communities to impact business in the future?” Some key themes emerged:

- Integrate the community into core operations to increase revenue
- Invest more in analytical tools
- Strengthen post-sales support and engagement
- Listen better to existing idea exchanges
- Increase staffing
- Align community with customer retention programs

This feedback indicates that communities are still in their formative stages: they are being used to listen and collaborate, both internally and externally. As community leaders implement more advanced analytical systems and integrate the community into operations, we anticipate that usage patterns will change. We predict that we’ll see an increased ability to connect member data to customer relationship data (for customer communities) and to engage employee advocacy programs and scale employee training (for employee communities).

Expert Insight

“There are numerous ways organizations can leverage their communities with an eye to the future. First, build strong and long lasting relationships with clients/customers in order to maximize customer lifetime value. Second, be sure to collect, store, process, and analyze customer data and study customer activity to deliver customized solutions to client problems. Finally, ensure that you are working with the right people across the organization so that these insights become part of long-term strategic planning.”

The Cognizant Connections community team
Communities are organizational orchestras, and marketing is the conductor.

Communities are silo-breakers – the place where marketing, corporate communications, operations, support, and other departments collaborate across organizational boundaries. Not surprisingly, marketing leads the pack with the majority involvement but is followed closely behind by operations/support, and corporate communications.

We expanded this question to look beyond participation and drill down to ownership – and found that marketing owns almost 40% of communities.

Among those selected, which department owns the community budget and operations?

- Marketing: 38%
- Corporate Communications: 12%
- Operations/Support: 12%
- Strategy: 8%
- Support: 3%
- Human Resources: 2%
- Research & Development: 1%
- Finance: 1%
- Sales: 0%
- Other: 20%
- None: 1%

Operations/support participation was more common in organizations with customer communities (64%) than those without (32%).

Sales participation was more common in B2B and B2C organizations (45%) than with Associations/Non-Profits (13%).

HR participation was most common in B2C/both organizations (40%) vs. B2B (20%) vs. Associations/Non-Profits (13%).

R&D participation was most common in B2B (40%) vs. B2C/both (23%) vs. Associations/Non-Profits (18%).
A recent study by the Conference Board, “Unlocking Value from Integrated Corporate Communications and Marketing” (Alexander Parkinson, 2016), found a growing trend among larger organizations who are combining the corporate communications and marketing roles into a single executive function, which may account for corporate communications appearing second on the list. Likewise, since organizations frequently use their customer communities as a support channel, it is natural that the operations and support team owns the community in some organizations.

In the future, once business process alignment is more prevalent than it is now, we expect other departments to take ownership of the community. Strategy or R&D may eventually own communities based on thought leadership, and HR might take the lead for intranets and employee communities.

Expert Insight

“More and more companies are integrating support, customer success, and even development when they are thinking about new or improved communities. Make sure that any and all site searches also go to the community to get community content. Transform existing 1-1 enhancement request processes to incorporate an idea exchange instead. Users, support staff, and development will all benefit from this many-to-many process.”

Rob Shapiro,
Community Strategist,
(Former Sr. Director,
My Oracle Support Community)
Community expenditures – when tracked – vary widely.

A primary goal of this survey is to explore, in real numbers, the financial benefits of having an online community. To begin this conversation, we asked: “What are the annual costs of your community inclusive of software, staff, and content?” The results varied significantly. Most notably, 25% – one in four – of marketing and community leaders report that they don’t know or don’t track their community expenses in total.

**Expert Insight**

User adoption of Protech software is critical to our customers’ success. As a result, Protech executives are especially interested in increasing community member engagement around the use of the software. This includes more resource downloads and more questions from users, as well as collaboration among members to use Protech’s UX Online application tools to solve specific challenges and create business processes.

Matt Bruffey, Director of CustomerCare, Protech Associates
While there is no “average” cost of community, simple math based on the cost of software, content, and staff leads us to believe that communities spending under $200K may not realize the ROI they hope to achieve.

To validate our thinking, we turned to a recent Forrester report – The ROI Of “Owner” Communities by Zachary Reiss-Davis and Shaheen Parks. In the report, Forrester offers the Total Economic Impact (TEI) model to help organizations calculate costs and benefits related to communities. Using this model, they present a case where a small to medium sized business (SMB) broke out anticipated costs for community – a spend upwards of $250K per year and modeled on a payback in approximately 12-24 months. This sum includes $75K for a software license, $120K for a full-time community manager, and $68,000 in IT labor costs. It does not account for content creation.

The data suggests that organizations that are spending less than $200K are either under staffing their communities, not investing in software, not accounting for internal “charge backs” such as IT labor, and relying mainly on community generated content.

Despite communities’ perceived importance and impact, it seems that many organizations are still adhering to the “build it and they will come” philosophy when it comes to spending. Organizations that want to realize a return from their communities should ensure that their level of investment is commensurate with their expectation of outcomes.
Communities save money, but projections are often based on “guesstimates.”

Once we established how much organizations are spending on communities, we turned to exploring how communities help organizations cut costs. 45% of marketing and community leaders say that communities reduce costs for their organizations, either directly or indirectly. Remarkably, almost 40% did not know whether their community saves their organization money or not.

Since the majority of study participants hold senior roles, we don’t think that lack of knowledge is due to lack of access to financial information. Rather, it suggests that many marketing and community leaders don’t have a standardized method for tracking community savings. It’s likely that the organizations that assert larger dollar values can do so because they have developed a financial model for tracking cost savings – not because they are saving more.

To learn more about the methods they use to calculate savings, we specifically asked a follow-up question to those who reported that their community reduces costs. In response to the question “How are savings measured?” the top response submitted was “guessing.” However, there were also some strong examples of how leaders measure savings – including call deflection, cost per lead, direct sale, and reduction in soft costs such as labor time.

In response to the question “How are savings measured?” the #1 response submitted was “guessing.”

Expert Insight

Our technical support model is SaaS-based for our new line of products. In order for customers to get support, they must contact support through the online community. Although the immediate costs savings remain unknown (the community is less than nine months old), we suspect that the online support model will lead to a decrease in support call volume.

Dave Sciuto,
Community Strategist/Principal Socia Engagement Manager (SaaS), Dell EMC
Communities that spent more than $100K saved more than $200K last year

We drilled into the data to examine whether those organizations that spent more on their communities yielded greater returns. 56% of the communities that spent more than $200K annually realized a cost savings of more than $100K a year. In contrast, only 15% of those that spent less than $200K report a cost savings of $100K or more.

Customer communities can reduce support costs by replacing traditional call center requests with digital self-service. Likewise, employee communities can reduce training costs by offering online options. However, communities must spend money to make money. Creating and showcasing thought leadership, mining customer engagement activities to inform R&D, producing training programs and online events, and even staffing communities appropriately are all expensive endeavors – but they can deliver a significant return.

> Expert Insight

“Community provides a platform for new ideas and thought leadership to emerge. Illustrate to your leadership how this platform can be used to build a cohort of experts across industries who generate new insight. Show them how the community might open new possibilities such as co-developing offerings and solutions with those experts.”

The Cognizant Connections community team
Communities are generating revenue – sometimes over $1M – but it takes time.

In this series of questions, we investigated communities’ ability to make money. We found that 49% of communities generate or influence revenue – and 29% realize more than $1M last year.

Relatively few communities can account for direct revenue accruals such as ecommerce – which would be more common in consumer communities than in B2B, association, employee, or partner communities. However, there is a strong showing of respondents (36%) who report that communities influence revenue via customer retention and satisfaction – which is how the majority of marketing and community leaders define competitive advantage.

These findings become even more interesting when we looked at them over time: 55% of communities five years or older generate or influence more than $1M, while 43% of communities that have existed for two years or less generate or influence less than $10,000. Clearly, like a fine wine, community success takes time.

Expert Insight

“Through thought leadership content, managers and product experts can post content that will inform and educate customers. Online communities, when publicly accessible, can entice potential customers to attend online community marketing events. Such events can result in lead generation.”

Dave Sciuto,
Community Strategist/Principal Social Engagement Manager (SaaS), Dell EMC
Community leaders' biggest obstacles are data analysis and reporting.

We asked community leaders what obstacles they face in leveraging the community to achieve competitive advantage: 72% face issues related to analyzing and reporting data.

It is notable that 35% lack meaningful metrics to report success in business terms. This is a theme that carried through the study: many participants answered, “I don’t know” or “I guess” in response to financial questions – and it wasn’t because we didn’t draw from a senior level population.

The leaders we surveyed have plans to overcome their data analysis and reporting obstacles – as evidenced by the focus on analytical tools and operational integration when we asked them “How is your organization planning to leverage communities to impact business in the future?” (see page 10 for more on this topic).

Yet, the issue of measuring success in business terms remains – a challenge that we tackle in the next section.

When we asked the open-ended question, “What are the top three to five success measures your community tracks?” we received more than 100 responses. Answers ranged from vanity and baseline metrics (such as number of members and number of posts) to sophisticated, business-focused measures that would delight any CFO to her core.

Armed with these examples of how community leaders track community impact, as well as in-depth institutional knowledge of measures and metrics, we codified the responses into categories. Our goal was to demonstrate that a metric (of any kind) must be aligned with and in support of a business goal to be meaningful. The result is a Community Impact Framework that offers an initial set of standards for measuring community value.

As we move through the framework – from Community Vibrancy Metrics on the left to Business Integration Metrics (BIM) on the right – we see an increased impact on the business. While a metric like “Membership Growth” is important to track, it is when community leaders can measure things like “new ideas implemented” and “increase in operational efficiencies” that the link between communities and competitive advantage becomes crystal clear.

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<td><strong>EXAMPLE METRICS</strong> Numbers or increase in customer advocates, inbound calls generated by community, correlation between user engagement and annual revenue spend.</td>
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<td>Useful for all types of communities (customer, employee, or partner)</td>
<td>Best for customer communities</td>
<td>Best for customer communities</td>
<td>Applicable for all types of communities (customer, employee, or partner)</td>
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As we move through the framework – from Community Vibrancy Metrics on the left to Business Integration Metrics (BIM) on the right – we see an increased impact on the business. While a metric like “Membership Growth” is important to track, it is when community leaders can measure things like “new ideas implemented” and “increase in operational efficiencies” that the link between communities and competitive advantage becomes crystal clear.
Conclusion

When we studied community success factors a year ago, one of the primary challenges reported by community leaders was a lack of internal support and visibility (Keys To Community Readiness and Success Study by Vanessa DiMauro and Jessica Fish, 2015). Today, communities have become more visible internally – and that is driving a heightened need to demonstrate the link between communities and competitive advantage.

The result is a good news, bad news situation for marketing and community leaders. The good news is that communities are having a big impact on the organizations that run them – they are bringing teams together to collaborate faster and better, helping organizations find experts to support customers and partners, promoting a unified corporate culture, and serving as a powerful listening and research channel with customers. Communities are also driving cost savings as well as new revenue.

The bad news is that marketing and community leaders still struggle to measure business value in business terms. Without the comprehensive analytical capabilities or clear financial metrics to show impact, communities will continue to fight for internal support and increased funding.

But there is hope. The Community Impact Framework offers an initial set of standards for measuring community value. As marketing and community leaders adopt this framework, they will be able to tell their business impact story with confidence and consistency. They will be able to benchmark current community impact and track progress over time – and can measure their success against competitors and industry norms. They will be able to demonstrate ROI to firms that sponsor communities or advertise on them, leading to larger marketing investments. And they will be better equipped to meet the ultimate goal: linking online communities to competitive advantage in the quantitative terms that influence business and financial stakeholders.
Best Practices for Marketing and Community Leaders

11 actions that help you link community to competitive advantage:

- Meet with your CFO to understand his or her expectations for developing a cost-benefit analysis of your community.
- Get your financial and business metrics in a row so you can start to accurately track what you spend against what you yield.
- Review your community expenditure to ensure that it is commensurate with expectations and potential impact.
- Refocus your efforts to ensure that communities are aligned with organizational priorities and are measuring what matters.
- Think about using the community as a living focus group – a primary source of early stage, low-cost research that can inform customer service, market strategy, or R&D.
- Speak with community managers and content creators to review how time is being spent, set crystal clear priorities, and refocus staff on the right activities.
- Strengthen relationships with all lines of business leaders. Get to know their strategic objectives, find their pain points, and collaborate on how the community can serve their needs.
- Collaborate with your support team to identify where their high effort, low return calls originate. Then, investigate how to service these calls via the community.
- Find ways to leverage the employee community to reduce expenditures – including training or virtual meetings.
- Don’t forget to acknowledge and thank the CIO and IT team – their contributions are essential to keep the community sound and vibrant!
- Use the Community Impact Framework to tell your communities’ business impact story, reliably and consistently.
Acknowledgments

Sponsors

We are especially grateful to the sponsors who helped make this study possible. Without their support, we would not be able to share the data our industry needs to fuel and shape their communities.

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Higher Logic is an industry leader in cloud-based community platforms. Organizations worldwide use Higher Logic to bring people all together, by giving their community a home where they can interact, share ideas, answer questions and stay connected. Our goal is to help your organization with deeper engagement and meaningful interactions for your members, customers, and prospects. Everything we do - the tools and features in our software, our services, partnerships, best practices - drives our ultimate goal of making your organization successful.

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Supporters

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Leader Networks is a research and consulting firm that helps companies use digital and social technologies to gain competitive advantage. We work with clients to develop digital business strategies, launch new digital products and business models, create and grow online communities, and craft social selling campaigns and operations. Our efforts pay off – by enabling organizations to better engage their customers, drive new product and service innovations, reduce costs, and boost shareholder value.

Our clients include some of the world’s best-known companies – from Cisco Systems, Hitachi, Hewlett-Packard, and Royal Dutch Shell to Fidelity, Thomson Reuters, Cognizant, and the World Bank. They also include forward-thinking associations like The Children’s Hospitals Network and LexisNexis Martindale-Hubbell.

Learn more at www.leadernetworks.com

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Vanessa is a pioneer in the field of online communities and in using digital business solutions to gain customer insight and increase revenue. Her perspective on digital business has been featured in The New York Times, The Wall Street Journal, CNBC, and Forbes. Vanessa was named one of Forbes’ Top 40 Social Media Masters Worldwide and one of CEOWorld’s Most Powerful Women in Social Media. She was also recognized as Research Fellow of the Year by the Society for New Communications Research.

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