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How to EXCITE Your EXECUTIVES about Online COMMUNITY!

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The Burning Questions

How does the community align with the organizational strategy?

What is the business case?

How do we know we are making the right decisions (do we have the priorities)?

How are we measuring success?

What speaks to executives at various stages of a community's lifecycle?

Online Communities Can Be A Golden Egg For Organizations

Thought leadership platform

Peer referrals

Lower support costs

Participate in the market dialogue

Generate revenue

Increase use of existing products/services

Innovation + ideation

Listening post

Strengthen relationships

Deeper insights into new products or services

Faster speed to market

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However, Lack of Shared Vision, Insight or Business-Driven Measures Can Often Obscure the Value

But we already bought software, why do you want more budget?

Is our organization ready for this?

Isn't community just a Facebook page or a LinkedIn group?

We already have one, what does it really do for us?

What's the business case?

Stages Of Executive Concern Around Community

Idea Stage
- Community is under consideration or customers/partners have voiced a desire but **decision has stalled** due to unclear expectations.

Planning Stage
- The business plan is complete, but the executive (rightfully) craves **additional information** about the audience's response to the online community.

Early Launch
- While engagement and marketing outcomes are high, there is a sense that **community should and could be doing more** to support core operations.

Established
- Leadership **needs greater insights** about the community success before being willing to be a champion for it inside the company or to the public

Communication Barriers Can Limit Executive Support

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Limited budget
Inadequate staffing
Uncertain credibility
Lack of internal champions
Uncooperative business partners
Failure to recognize business outcomes
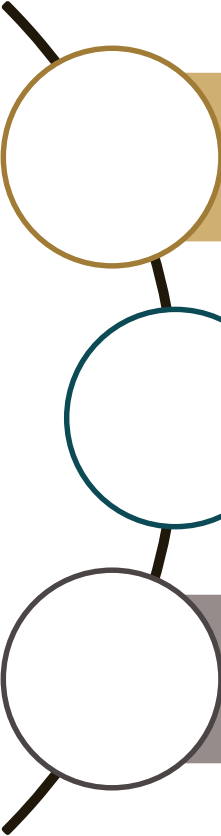
....the list of obstacles goes on.

The Case For Online Community Is Strong

A recent IBM survey of 1,709 CEOs from over 60 countries reveals that they believe online customer communities are the second most important means by which they will engage customers in the future (after face to face interactions and well ahead of traditional media.

A significant increase (of at least 18%) in post-launch expenditure from community customers can be attributed to their joining the community (Puneet Manchanda et. al. Social Dollars: The Economic Impact of Customer Participation in a Firm-sponsored Online Customer Community, 2013)

Social can create as much as $1.3 trillion in value for the 4 business sectors it examined (CPG, Financial SVS, Professional services, Advanced Manufacturing) – McKinsey

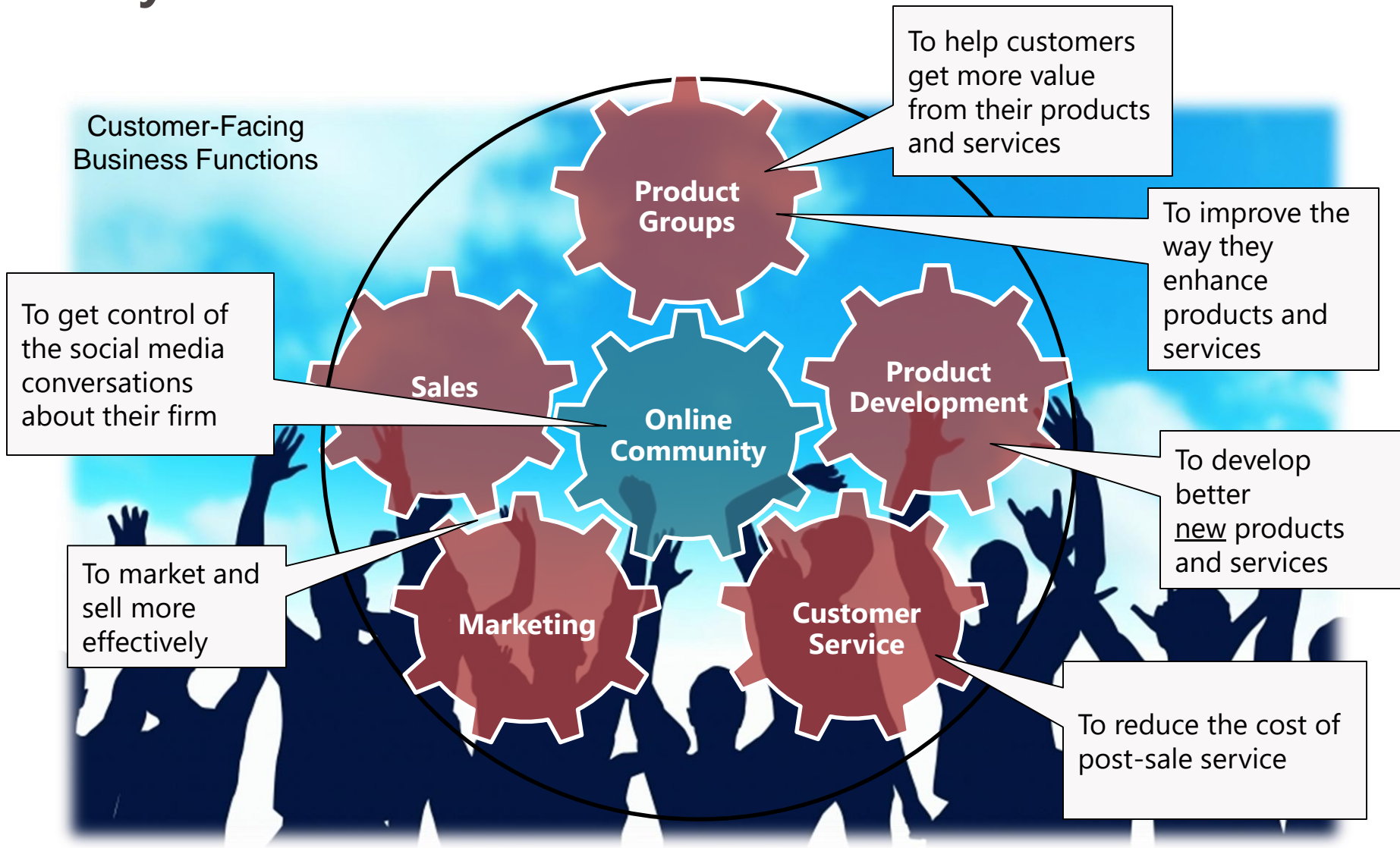# But, the Right Conditions Must be in Place to Succeed

Leadership support, measurement capabilities, content and appropriate processes are must haves for success.

Three major barriers impede progress to becoming a social business: Lack of overall strategy, too many competing priorities, and lack of a proven business case or strong value proposition.

"Companies at the low end of the maturity spectrum share common hurdles. Lack of senior management sponsorship is significant."

Source: Social Business: Shifting Out Of First Gear (MITSloan Management Review Research Report 2013)

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From Research and Experience, We See Six Reasons Why Firms Launch Online Customer Communities

Customer-Facing Business Functions

Product Groups

Sales

Online Community

Product Development

Marketing

Customer Service

To help customers get more value from their products and services

To improve the way they enhance products and services

To get control of the social media conversations about their firm

To develop better <u>new</u> products and services

To market and sell more effectively

To reduce the cost of post-sale service

Ways to Help Executives Spot The Value Of Online Community....

Establishing The Case For Online Community

Situation: An online community is under consideration or customers/partners have voiced a desire but decision has stalled due to unclear expectations.

Executive Question	Excitement Inducing Response
What will this do for the company and is it worth the cost?	A well structured plan that reflects cross-functional support and articulates the vision, mission and operational impact of the community initiative. A community "straw-model" which answers: • What are we trying to accomplish? • Which stakeholders are we looking to engage with? • What is the business case? • Which business processes will be enhanced? How? • How does this initiative align with our strategic objectives?

Align Your Organization's Strategic Agenda With the Case for Community

Be prepared to answer the following questions:

- What is the strategic agenda for your company and how will online community help enable a part of it?

- Which part?

- In what ways?

- How will you know when it is happening?

For example... Is your company launching a new strategic product or service, trying to enter into a new market, endeavoring to reach a new audience? If so, how would online community make this easier?

Align Community Strategy With Operations

What does the business need for the community to be successful?

What do community members need from the community to get value?

Forrester Research TEI Model

Forrester created a reference model of a successful owner community implementation for a B2B company with an average deal size of US $100,000 and 2,000 qualified annual leads:

Figure 4 A Total Economic Impact Analysis Reference Model For Owner Communities

Benefits	Year 1	Year 2	Year 3	Total	Net present value (NPV)
Number of calls avoided because of use of the community (monthly)	50	100	200	–	
Total support cost avoidance benefits	$120,000	$240,000	$480,000	$840,000	$697,912
Leads generated through the community (annual)	25	50	100	–	
Total direct lead generation benefit	$30,000	$60,000	$120,000	$210,000	$174,478
Incremental improvement in close rate	0.25%	0.50%	1.00%	–	
Total increased close rate benefit	$100,000	$200,000	$400,000	$700,000	$581,593
Costs					
Software license cost	($75,000)	($75,000)	($75,000)	($225,000)	($193,282)
Community manager (annual fully loaded cost)	($120,000)	($120,000)	($120,000)	($360,000)	($309,252)
Total IT labor costs	($68,750)	($35,000)	($35,000)	($138,750)	($121,448)
			Total NPV, modified by risk: $421,569		
			Total ROI, modified by risk: 57%		
			Payback: between 12 and 24 months		

89201

Source: Forrester Research, Inc.

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The Importance of Seeking External Validation

Situation: The community business plan sounds fine, however the executive (rightfully) needs supporting evidence that it will be successful.

Executive Question	Excitement Inducing Response
How can we test our hypothesis before making a significant investment? If we build it, will they come and will they return?	**The community straw-model has been validated before seeking funding.** • Interview prospective members about what they want and need from your company and from their peers. • Survey audience (e.g. customers/partners) to solidify features and surface a beta group.
What will it take to deliver a successful program?	**You can show the organizational impact community will have on staffing and resources.** • Staffing and content plan (short –term until launch, longer term) • Include potential business / revenue model (direct and indirect)

Risk Management is Essential To Executive Support

A well defined plan + a thorough validation period offers an insurance policy for community!
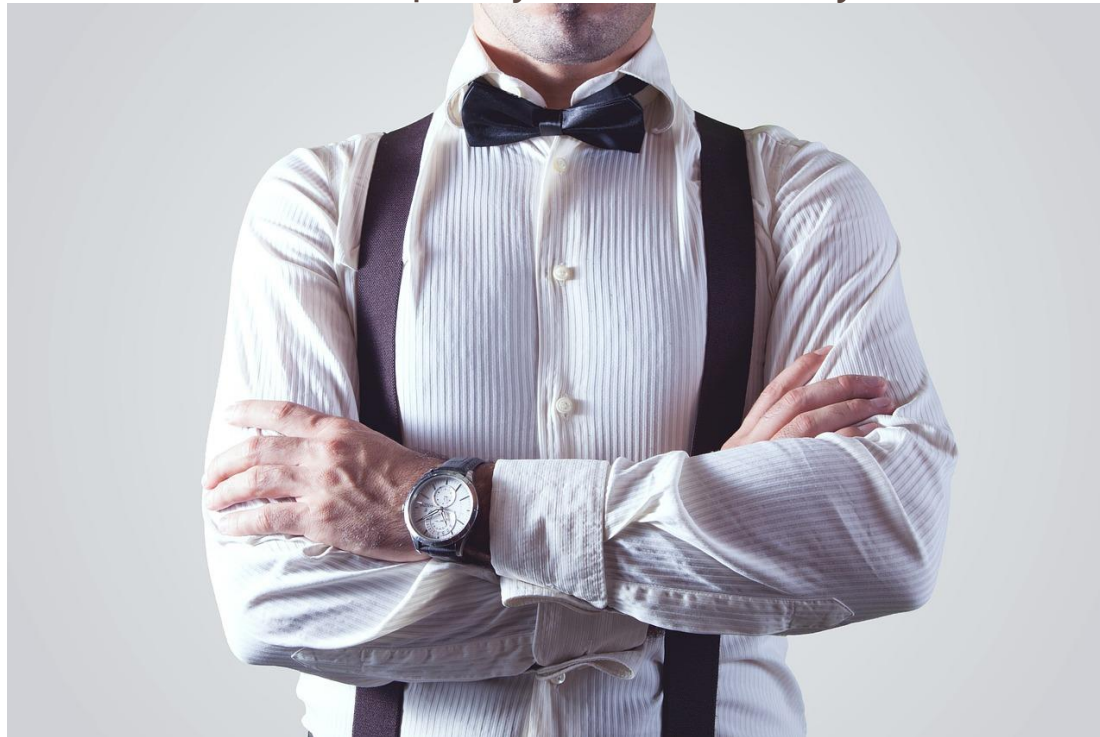
A BELT _AND_ SUSPENDERS APPROACH ALWAYS WINS!

Understanding Customer Values and Identifying How Community Helps Deliver on the Promise

What do our customers value?

1. Easy to do business with
2. Ability to co-create products
3. Clear communication
4. Access to developers or thought leaders
5. More....

How can community help? (Be specific)

?

Surface 1-3 strategic initiatives (increase stakeholder value or increase customer value proposition) and identify how the online community can help advance the goals.

Document Business Case For Community

Example Business Case Table Of Contents:

- Community mission and vision
- Size of community
- Community participants (most valuable)
- Goals of community
- Member behaviors community will support
- Tangible and intangible benefits and outcomes
- Operating model including staffing
- Organizational Impact / Learning and Growth
- Budget (high, med, low)

Caution: **Don't guess at what prospective members need when developing a business case as you will likely be wrong or miss critical issues.**

Community as a Catalyst to Improve Business Processes

Situation: **While outcomes are high, there is a sense that community should and could be doing more to support core operations. How to establish opportunity to do more and deepen the business case for community over time.**

Executive Question	Excitement Inducing Response
How does the online community help us sell faster, deliver more / better products, speed innovation? **How does this really help the business?**	**Identify 1-3 business processes to be improved through community. Solicit and secure buy-in and support for a beta project with 1 business process.** **Document current examples of the ways community positively impacts operations (e.g. marketing or sales – typically).** **Provide roadmap of operational process improvements over time.**

Using Community To Enhance Existing Business Processes

Meet with key operational stakeholders within your company to learn what they think online community can do for them.

– Operational stakeholders could include Customer services leaders, Product development, Marketing, R&D, Supplier / Partner relationship leader

– Bring a few ideas to the table but mainly learn about 1 or 2 areas customer or partner engagement could help them succeed.

Examine the current operational processes and seek opportunities for online community to enhance or accelerate it.

– Understand off-line processes and how they work

– Explore and propose ways online community can enable / accelerate

– Vet with line of business leader for changes or validation

– Pilot / revise/ launch

– Document change and benefits over time

Sample Operational Integration Points for Online Community

Example Success Measure	Shared Accountability
Raise awareness of products or services	Marketing
Visibility of company, products, services or thought leaders	Marketing
Increase sales	Sales
Event attendance	Marketing
Customer questions about how to use a product or service	Customer Service
Learn from Customers (e.g. feedback into product development)	Product Management / R&D
Customer retention / satisfaction	Sales
Call center reduction / Improve customer's ability to get help from each other	Customer Service
Increase utilization of the products	Product Management

Source: Leader Networks Blog "Social Media Manager vs. Online Community Manager: Same or Different?" September 2012

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Championing the Online Community Success Story

Situation: Leadership needs greater insights about the community success before becoming a visible supporter.
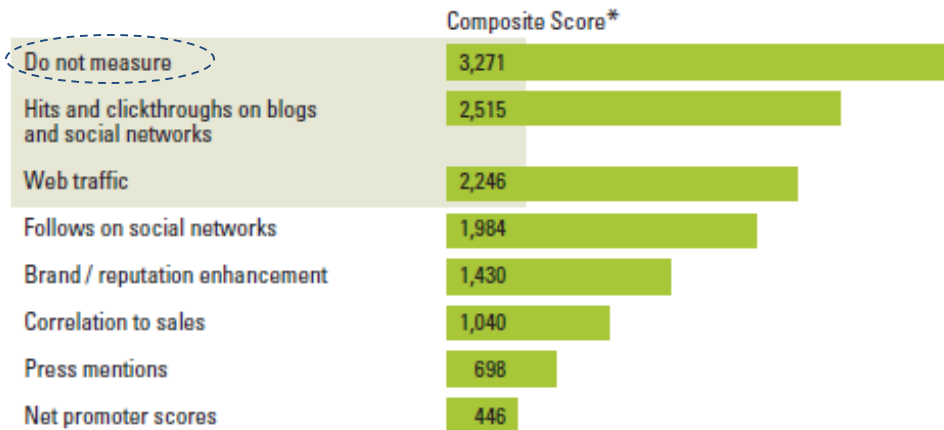
Executive Questions	Excitement Inducing Response
Is the community successful? How do we know?	**Consistent communications that have summary and details, facts and anecdotes from and about community outcomes.** • Monthly dashboard of community health that ties back to the business case. • Industry trends and insights shared in the community via a monthly internal newsletter.
What is the community story?	**Re-usable presentations about the community story.** • Community mission & mantra • Member demographics & growth trajectory • Quotes from members experiences & from internal stakeholders whose line of business was assisted by community. • Successes that tie back to the business case you developed. • Future vision, roadmap

The most exciting thing you can do for community (and for your executive) is measure success *in business terms*.
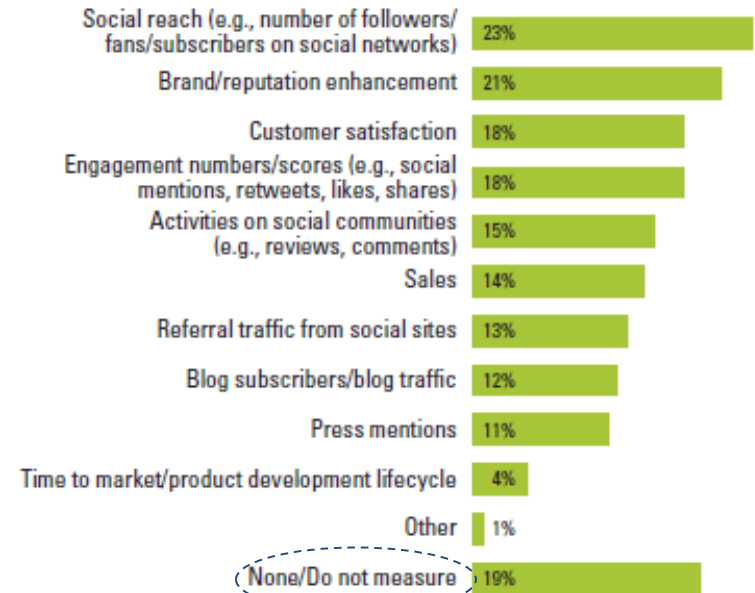
What's The Big Deal About Measuring Success?

Q23 What metrics does your organization use to determine the success of externally facing social business initiatives?

Composite Score*

Metric	Score
Do not measure	3,271
Hits and clickthroughs on blogs and social networks	2,515
Web traffic	2,246
Follows on social networks	1,984
Brand / reputation enhancement	1,430
Correlation to sales	1,040
Press mentions	698
Net promoter scores	446

Source: Social Business: What Are Companies Really Doing?
MIT Sloan Management Review, Research Report 2012 (in collaboration with Deloitte), by David Kiron, Doug Palmer, Anh Nguyen Phillips, Nina Kruschwitz

Q9 What metrics does your organization use to determine the success of externally-facing social initiatives? (Select up to 3)

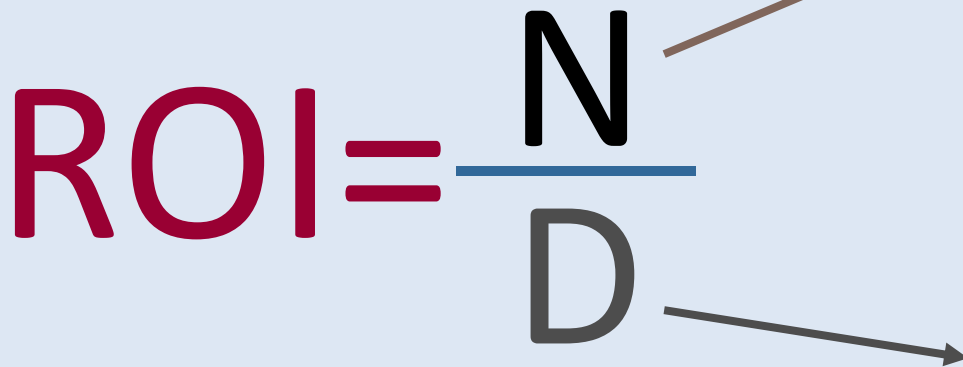| Metric	Percent
Social reach (e.g., number of followers/fans/subscribers on social networks)	23%
Brand/reputation enhancement	21%
Customer satisfaction	18%
Engagement numbers/scores (e.g., social mentions, retweets, likes, shares)	18%
Activities on social communities (e.g., reviews, comments)	15%
Sales	14%
Referral traffic from social sites	13%
Blog subscribers/blog traffic	12%
Press mentions	11%
Time to market/product development lifecycle	4%
Other	1%
None/Do not measure	19%

Source: Social Business: Shifting Out of First Gear
MIT Sloan Management Review, Research Report 2013 (in collaboration with Deloitte University Press), by David Kiron, Doug Palmer, Anh Nguyen Phillips, Robert Berkman

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The Real Opportunity In Practical Terms

"Manufacturers can no longer afford to treat suppliers like vendors from whom every last ounce of cost-savings can be wrung. Nor can we treat customers simply like a market for products and services at the best possible price. Instead, we need to treat both suppliers and customers like partners and collaborators – together looking for ways to improve efficiency and value across the *entire* spectrum of the value chain, not just in our respective businesses."

Source: Direct from Dell, Strategies That Revolutionized an Industry, Michael Dell with Catherine Fredman, HarperCollins Publishers, Inc., 1999

Establishing a Macro Perspective for Return-On-Investment

$$ROI = \frac{N}{D}$$

Numerator / Net Income:
- Identifying where new opportunities lie
- Anticipating changing customers needs
- Investing preemptively in building new competencies

Denominator:
- Investments
- Net assets
- Capital employed
- People

Source: Competing for the Future | Gary Hamel & C.K. Prahalad | Harvard Business School Press, 1994

Using Community To Address Changing Customer Needs & Requirements

Market Adoption (vertical axis)

Time (horizontal axis)

Enhancements to an existing product and / or service

New product and / or service

Existing product and / or service
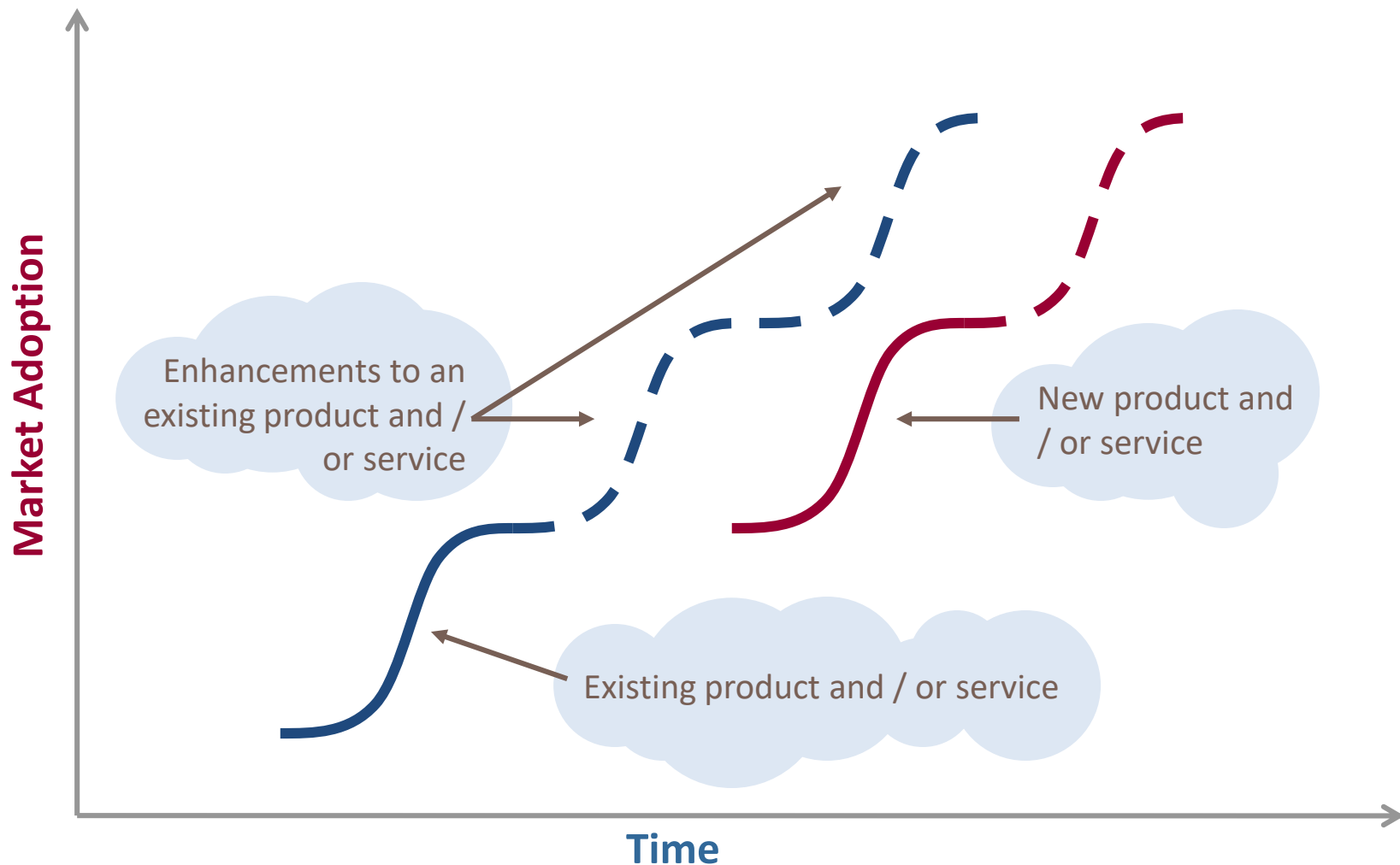
The Process Of Product and/or Service Innovation Knows No Boundaries

Organic initiatives are based on deep knowledge of the product and / or service and horizontal and / or vertical domain expertise...
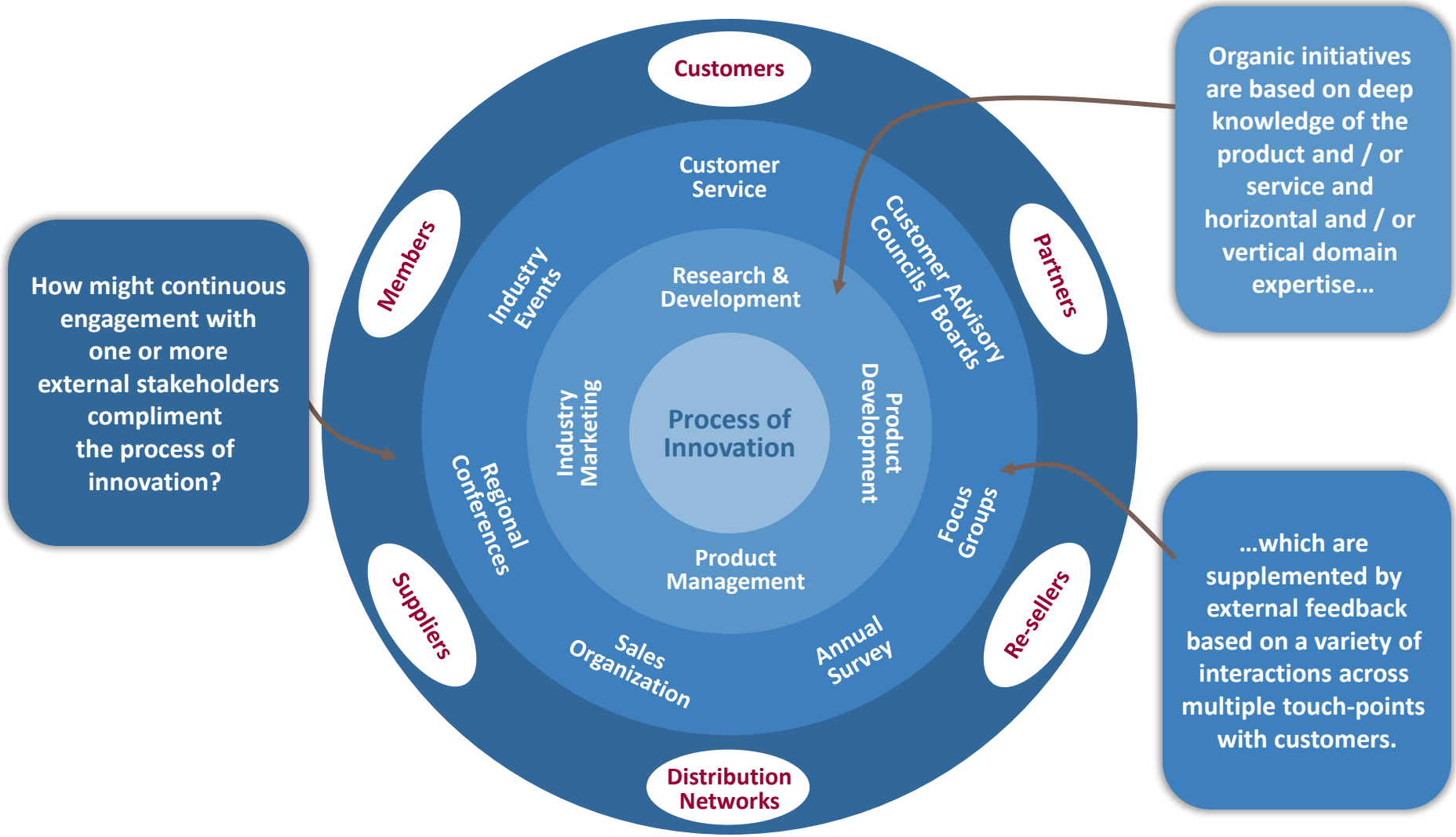
How might continuous engagement with one or more external stakeholders compliment the process of innovation?

...which are supplemented by external feedback based on a variety of interactions across multiple touch-points with customers.

Customers

Customer Service

Members

Industry Events

Research & Development

Customer Advisory Councils / Boards

Partners

Industry Marketing

Process of Innovation

Product Development

Regional Conferences

Product Management

Focus Groups

Suppliers

Sales Organization

Annual Survey

Re-sellers

Distribution Networks

Community Metrics Should be Aligned with Corporate and Business Unit Objectives

Corporate Objectives

↑

Business / Functional Unit Objectives

↑

Online Community Initiative (Business Case / ROI)

↑

The EXECUTION PREMIUM
Linking Strategy to Operations for Competitive Advantage
ROBERT S. KAPLAN
DAVID P. NORTON

– Financial
– Customer
– Process
– Learning & Growth
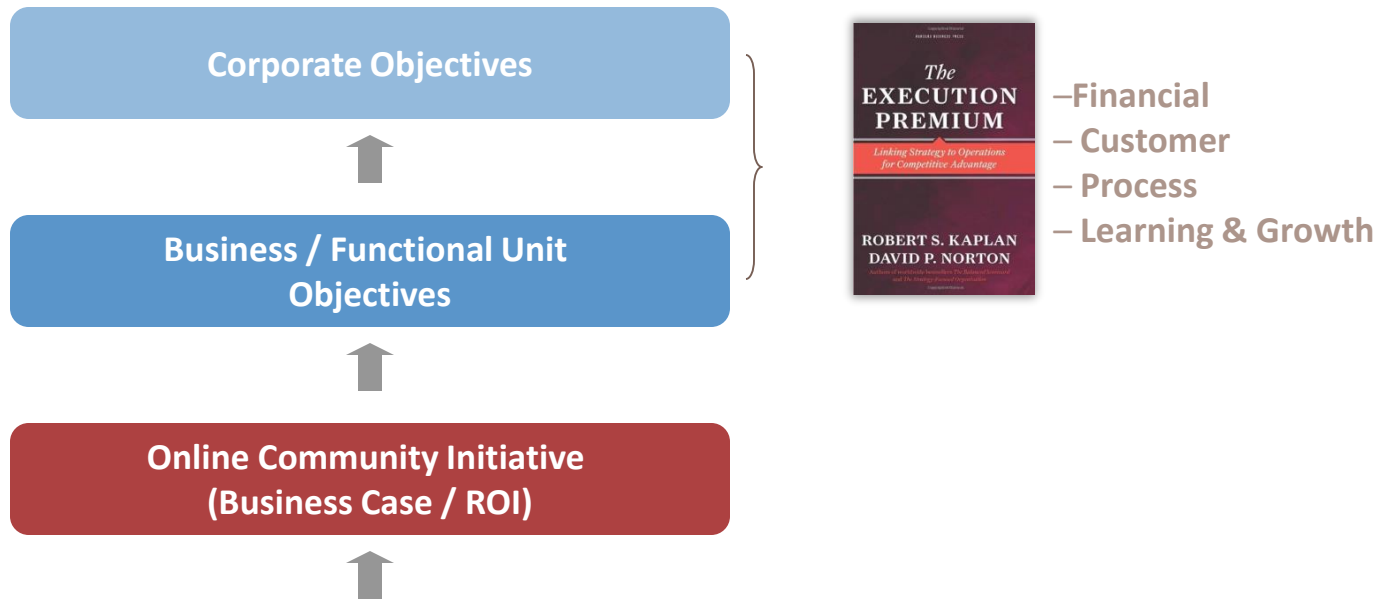
	Current	Target	Outcome	Delta / ROI
General Metrics				
Site Metrics				
Business Metrics				

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Example Dashboard

Sample Metrics	Current	Target	Outcome	Delta / ROI
General Metrics:				
- # of site visits				
- # of members				
- # of new members			Membership	
Site Metrics:				
- # of posts				
- Most visited pages				
- Visits by geography			Insight	
- Search rankings				
Business Metrics:				
- Fewer defects				
- Problem resolution			Impact	
- New features				
- New applications				
- Time-to-market				

Summary

- Executive sponsorship is key to successful online community – take the time to cultivate it, it is your responsibility.

- Always be able to consistently and clearly answer the "so what?" question.

- Community must be tied to organizational strategy in order to deliver value --make those linkages apparent.

- Tell the whole community story *in business terms*. Keep your executive sponsor(s) informed and enable them to understand the opportunities, outcomes <u>and challenges</u> with building and growing online community.

- You/community succeeds when your enable your executive sponsor to shine!

Thank you!

For more information please contact me:

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