Online Communities

- Broad view: people spending time creating because they are having fun doing it
  - Interacting with others
  - Generally a particular form of activity
    • Meeting/connecting with people, games, shopping, music, video
- Value comes largely from other people
  - Network effect
  - Often complementary roles of “experts” or “contributors” and general users
    • Need both content and an audience for it

Some Online Communities

- eBay – auctions, collecting (historically?)
- Amazon – retail
- LiveJournal/Xanga – journals and groups
- Facebook – connecting students
- MySpace – music, journals
- YouTube – video
- Gaming sites – when are they communities?
  - E.g., Internet Chess Club

Types of Communities

- Supplement vs. destination
  - E.g., Amazon reviews enhance site, not sole value whereas Facebook all about user content
  - What about eBay?
  - Relative stickyness?
- Passive vs. active participation
  - Collaborative filtering style feedback, based on actions of many people
    • E.g., Amazon recommendations
  - As opposed to explicit user content/reviews

Collaborative Filtering

- Aggregate experience of users as a form of community
  - Benefit from actions of others without need to explicitly associate with them
    • E.g., comparison with community associations
  - Generally less susceptible to manipulation because based on behavior of many users
  - Often less compelling
    • Outcomes rather than reasons, a thoughtful opinion generally more useful than simply knowing what others (like you) are doing

Active Communities

- Users create value
  - Often “experts” such as top reviewers, top sellers, top gamers
  - What motivates users to do so?
- Feedback is critical
  - Experts want to see they’re reaching audience
  - Non-experts want way to assess credibility of supposed experts
  - More generally people want to know they are having an impact
    • “Web stars”
**Reputation in Online Communities**

- What value does reputation provide?
  - Trust in individual sellers
    - E.g., eBay
  - Worth/value of spending time or money
    - E.g., Amazon product ratings, Blog ratings
  - Popularity on social networking sites
    - E.g., Facebook
- Is there broader value on other sites or offline?
  - E.g., portability of eBay reputations

**Online Reputation and Trust**

- Ebay’s initial challenge
  - Building trust to trade with strangers online
    - Community and “inherent goodness of people”
- Means of running cheaters out of town
  - Reputation scores based on completed transactions (+,0,-)
    - Number of positives minus negatives
    - About half of transactions result in ratings
  - High reputation scores — “best citizens”
    - Reward highest reputation sellers
    - Have tens of thousands of points

**Maintaining Trust**

- Ebay says fraud small fraction of 1 percent
  - But still moving beyond “community policing”
    - Merchant who fled with over $200K also had shop and employees
- Poor experiences more common than outright fraud
  - Sellers now being verified through credit card or other information
- Works in sense that fraud in off Ebay transactions higher
  - E.g., case of fake cashiers check and used Mac’s

**Value of Reputation to Participants**

- Resnick (UMich) study shows price effect
  - Controlled study with “matched pairs” of vintage postcards
    - Done in conjunction with established seller who had high reputation
    - Sold one of each pair as relatively new seller with little reputation
  - High reputation seller received closing bids on average 7.6% higher than unknown sellers
- Perhaps surprisingly, a few negative scores had little effect

**What Do Reputation Scores Mean?**

- Is a seller on Ebay with a high score more trustworthy?
- Is it rational to pay a price premium to a higher ranked seller?
- What sellers are most motivated to provide a good experience?
- What kind of reputation would be good for a fraudster to create?
  - What are significant fraud cases on Ebay?
- Ritual “tipping” behavior

**Value of Community Product**

- An active community produces information that can be of substantial value
  - Reviews on Amazon
  - Content on MySpace
- Substantial legal decisions being made in this arena
  - New cyber-trespassing rulings
    - Based on several hundred year old laws on “trespass to chattels”
  - Prohibits unauthorized access to networked computer systems
Dynamics of Communities

- Need balance of creators and consumers
  - Can be difficult to get started
    - Each requires other
  - Can also be difficult to maintain
    - Imbalances arise, much as in markets
- Hard to "bootstrap"
  - In traditional businesses can choose to lose money while building up
    - E.g., content creation not done by employees
- Yet online community remains a major potential of Internet over other media

Examples of Community Dynamics

- Auction sites have tended to exhibit strong all-or-none properties
  - Seller seeks largest possible audience
- Early movers sometimes attract key "experts"
  - E.g., Internet Chess Club
- Finding right mix of content and focus of community
  - E.g., Facebook vs. previous social networking sites

Online Gaming

- Degree to which supports community beyond time spent gaming itself
  - Socializing, teaching, etc.
- Role of experts and expertise
  - Challenge, policing
  - Matching levels of play
- Transferability of identity and artifacts
  - Reputation or achievement for sale
  - Negative effect on gaming experience
    - Hard to buy talent

Internet Chess Club

- 30,000 members paying ~$45/yr
- Has held up well against large sites such as Yahoo offering free chess
  - Many experts
    - External ratings and on-site ratings
  - Offline events, teaching
  - Identities not effectively transferable
- Network effect
  - Place where can reliably find a "good game"
  - Early mover, attracted good players

Explicit Networking Sites

- Sites whose primary or only goal is to establish, maintain and use connections
  - E.g., LinkedIn, Classmates
- Alumni sites sponsored by schools, often outsourced to private companies
- Contact list sites
  - E.g., Plaxo
- Neither a destination nor added value for other activities
  - Degree of value and success?

Popularity of Sites

- Today's online community usage
  - MySpace, Facebook recently popular places to spend time – page views (near Google)
  - But reach much lower than search/portal sites
Sustainability of Sites

- Over past few years MySpace and Facebook have come to dominate other social network sites
- MySpace reach took longer to get ahead
  - Note July '05 purchase by News Corp.

Lifetime of Community Sites

- What is important in getting destination sites off the ground?
  - E.g., Orkut, Wallop
- What review sites really have taken off?
  - Amazon, epinions, bizrate?
- How to maintain popularity of social network sites?
  - E.g., what can stop or at least delay MySpace from going the way of Xanga?
  - Importance of focus, e.g., music?

Marketing and Advertising

- Burger King page on MySpace had over 133K “friends” in '06 campaign
  - Sponsor downloads
- Effectiveness of alternative campaigns
  - E.g., BK subservient chicken in 2004
- Burger King sales in 1H06 up 3.5% but lower growth rate than McDonalds
  - Against backdrop of BK experiencing flat to declining sales through 2004
- Challenges and opportunities?

Destination Site Strategic Landscape

- Barriers to entry by new sites
  - Low, but success more difficult
- Substitutes for social networking sites
  - Most leisure time activities
- Degree of rivalry
  - What means to compete here
- Supplier power
  - Question of who are suppliers
- Customer power
  - Relatively high, switching costs low to moderate

Next Time

- IPxx and open networks
  - Time Warner VOIP Growth Slows
  - Cellphone Straitjacket is Inspiring a Rebellion
  - Change in readings