



NBA 600
Online Communities
 Class 10, Wed 11/14

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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



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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



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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



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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



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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”



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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

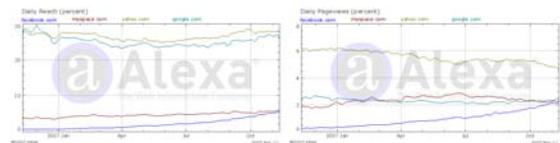
- 30,000 members paying ~\$45/yr
- Has held up well against large sites such as Yahoo offering free chess
 - Many experts
 - External ratings and on-site ratings
 - Offline events, teaching
 - Identities not effectively transferable
- Network effect
 - Place where can reliably find a “good game”
 - Early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

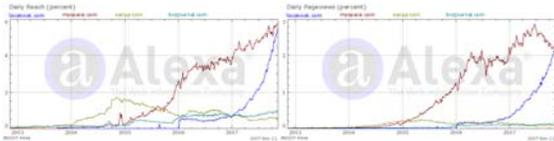
Popularity of Sites

- 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
 - <http://www.nytimes.com/2007/11/12/technology/12cell.html>
 - Change in readings