

The Tribalization of Business Study and

Characteristics of Successful Online Communities

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Organizations are increasingly using online communities to interact with customers, but marketers identify a number of key obstacles standing in the way of community effectiveness. The authors analyze the results of the Tribalization of Business Study, a survey of more than 500 companies that are using online communities and other research to identify characteristics of successful communities. The authors suggest that marketers should understand key human characteristics as thoroughly as the Web 2.0 and social media tools they employ when interacting with customers through online communities and that by keeping these human attributes in mind, marketers may foster more successful community deployments.

INTRODUCTION

The authors, in conjunction with the Society for New Communications research, conducted “The Tribalization of Business Study” (“Tribalization”) in 2008 and 2009. Composed of a survey and telephone interviews, Tribalization examined three factors:

- How organizations are establishing (or sponsoring) online communities
- How the sponsoring companies measure success
- How these organizations use their interaction with the communities to improve marketing and other business processes.

The tribalization metaphor captures an element of successful online communities that was not immediately apparent. These communities often thrive because the members primarily are *drawn to one another*. The importance of person-to-person affinity—and the ability to interact with these other humans—typically trumped the role of the sponsor’s goods or services or the presence of other features in the online communities.

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Marketers, for instance, are learning that online communities can propagate positive messages about products, raise awareness, and organically recruit additional members, all of which can provide powerful competitive advantages.

Moreover, research indicates that word of mouth spread by members of an online community, for instance, can create more valuable customers than those attracted through conventional advertising. Communities can also help increase demand for products, help marketers to identify key influencers, and provide marketers with insights about customer wants and needs. In addition, organizations are using online communities for customer support, product development, knowledge management, and recruiting.

Notwithstanding the increasing popularity of social media tools such as Twitter, blogs, public social networks, and development of large online communities around topics as varied as parenting and fine watches, companies have experienced challenges in consistently setting up and maintaining successful online communities.

To illuminate the possible reasons for these failures and in an attempt to understand the dynamics of sustainable online communities, Deloitte and Human 1.0 (“the authors”) surveyed more than

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500 companies and conducted interviews with marketing executives from a subset of the companies. The communities studied range in size from fewer than 100 members to more than 1 million members, and revenues of the sponsoring companies range from less than \$1 million to more than \$40 billion.

To ensure the widest possible perspective, the authors studied organizations across industries as varied as computer hardware, life sciences, retail, insurance, and hotels and consumer packaged-goods companies, spanning both the business-to-business and business-to-consumer spaces.

As a result of the Tribalization research, the authors have identified a number of attributes that tend to characterize successful communities. They also have identified a number of common missteps that tend to make the creation of sustainable online communities less likely.

During the course of the research, the authors also discerned a subtle community success factor that may not be immediately apparent from the face of the Tribalization data. Specifically, they identified a critical aspect of sponsoring organizations' behaviors that tends to foster successful online communities, and that is the sponsoring organizations' tendency to understand and positively interact with what the authors call their tribes' "Hyper-Sociality"—humans' unique inclination and ability to cooperate and interact widely outside of familial and small group contexts. Although other animals certainly exist within cooperating groups (bees, ants, and wolf packs come to mind), none is able to match humans'

capacity to cooperate and interact with very large groups of non-family members across great distances.

Consumers' social natures always have been important in marketing. "Word of mouth," for instance, existed long before modern marketing gave it a name. The ability of consumers to act socially, however—and to share insights about products and to see what other consumers were experiencing in their interactions with companies and products—has varied over the years. In the medieval marketplace, consumer word of mouth likely was just as powerful as it is today and of about equal significance as the messaging abilities of the sellers. Neither buyer nor seller had an advantage over each other; both used similar tools and channels to get their word out to the marketplace. A disgruntled customer could stand next to the butcher's stand in the town square, warning other potential customers that the chickens sold there were distasteful and filled with stones. If the butcher did not respond appropriately and provide an explanation that sounded authentic, he likely would lose business or even go out of business.

As businesses evolved over the subsequent centuries from largely sole proprietorships to corporations (and in some cases into globe-spanning enterprises), companies began to enjoy advantages in marketing. Owing to their comparatively better coordination and large corporate budgets, firms could use the mass media to influence opinion; and, just as important, to ignore poor local word of mouth; there were always new markets to expand

into and people who were too far away to have heard from any past disgruntled customers. Short of organizing largely isolated, small-scale boycotts, individuals or small groups of customers were at a marked disadvantage. Simply put, some businesses had outstripped their customers' ability to be social and cooperative on an equivalent scale and to exert influence on the communications that occurred between the companies and humans.

Today, social media and ubiquitous connectivity via the Internet have created a more balanced exchange between companies and customers. As a result, marketers increasingly need to consider their customers' hyper-social nature whenever engaging with them. In fact, marketers might be more successful when leveraging social media by concentrating more on human traits than on tools and technologies. Through studies of a number of companies that participated in tribalization—and through the research of behavioral economists and scientists—we see that human characteristics (i.e., wanting to help others, seeking status from their peers, and valuing fair treatment) are critical factors for marketers to consider.

We will discuss these qualities in Part 1 of this article and, in Part 2, will outline the four pillars of hyper-sociality that companies are using to navigate this hyper-social shift.

PART 1: THE TRIBALIZATION OF BUSINESS STUDY: ELEMENTS OF SUCCESSFUL COMMUNITIES

What does tribalization indicate about the state of the art with regard to online communities? First, the marketing function within companies tends both to set up and maintain communities more commonly than other corporate functions such as public relations, product development, information technology, sales, or customer service. Importantly, sponsoring

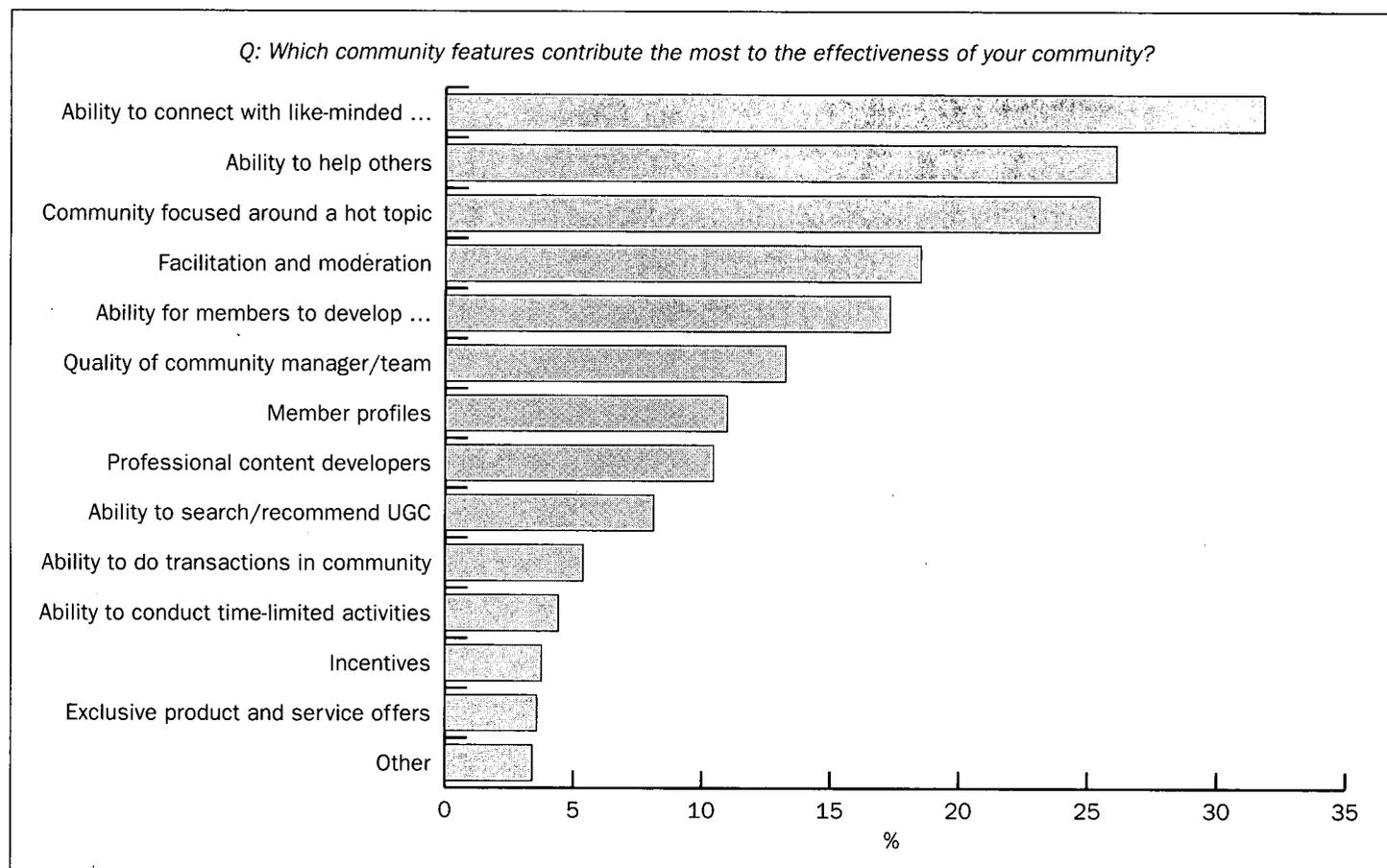


Figure 1 Most Effective Community Features

organizations report either maintaining or increasing financial support for their online communities in 2010; only 6 percent reported planning to reduce their investment (and 43 percent said they intended to increase their spending on communities). Coming off a global economic recession of epic proportion, organizations' continued investment in online communities indicates a corporate belief that these communities are generating business value.

We also apparently are in the early stages of the adoption of online communities. The majority of communities have existed for only a year or less; fewer than 15 percent of companies have reported community management diffusing to multiple departments outside of marketing. Another indication of the relatively

early stage in the development of communities is that typically few full-time people are managing the communities.

There are a number of disconnects between what attributes seem to lead to community success and how organizations often fall short in developing those attributes. For instance, "the ability to connect with like-minded people" is cited as the most important factor in community effectiveness. Clearly, an expedient way of ensuring a critical mass of like-minded people would be for the sponsoring organization to partner with existing communities rather than trying to build a critical mass from scratch. Curiously, respondents reported investigating such partnering only about 25 percent of the time; of those companies that did consider partnering

to acquire members, the majority decided against it.

Another key factor contributing to the effectiveness of online communities is providing users with "the ability to help others" (indeed, this was identified as the second most important feature of effective communities; Figure 1). Customer-service communities seem to be the forum wherein such user-to-user help is most likely to occur. As the majority of respondents listed their own market insights/research and amplifying word of mouth as the leading goals of the communities, however (and only about 30 percent of communities said they were focusing on customer service), it is unlikely that the majority of community members enjoy any significant ability to help other people.

There also is a surprising disconnect between the business goals of communities and what, in fact, is being measured

Another gap between what community sponsors reported being important to community effectiveness, and what they, in fact, delivered to community members was in the area of community facilitation and moderation. Although community managers identify the facilitation and moderation of communities among the leading contributors to success, there are indications that the level of delivery here could be improved. In fact, the majority of communities studied have one or fewer full-time employees actually involved in managing the community. Given the 24-hour-per-day nature of online

interaction in a global economy, it seems unlikely that such minimal staffing is sufficient to deliver the level of service necessary to meet community expectations. Moreover, suboptimal operation and facilitation often are revealed in another data point: When asked what the biggest challenges were to making their communities work, a total of 25 percent of respondents cited “finding enough time to manage the community” and “not being able to find skilled community managers” (Figure 2).

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(Figure 3). The top purposes of online communities include market insights/research, idea generation, customer-client loyalty, amplifying word of mouth, and customer support. When turning to the analytics used to measure community success, however, relatively blunt instruments—“number of ‘active’ users”; “how often people post/comment”; “number of visitors”; “number of registered users”; “time on site”; and “page views”—are among the top analytics (Figure 4). Ignoring for a moment that the majority of community members typically do not post or comment, it seems that managers could develop better analytics for determining whether the goals are being achieved. Indeed, the analytics at the very bottom of the chart (“citations/links on other sites” and “change in RSS subscribers”) would serve as better metrics of engagement than those enjoying far greater currency.

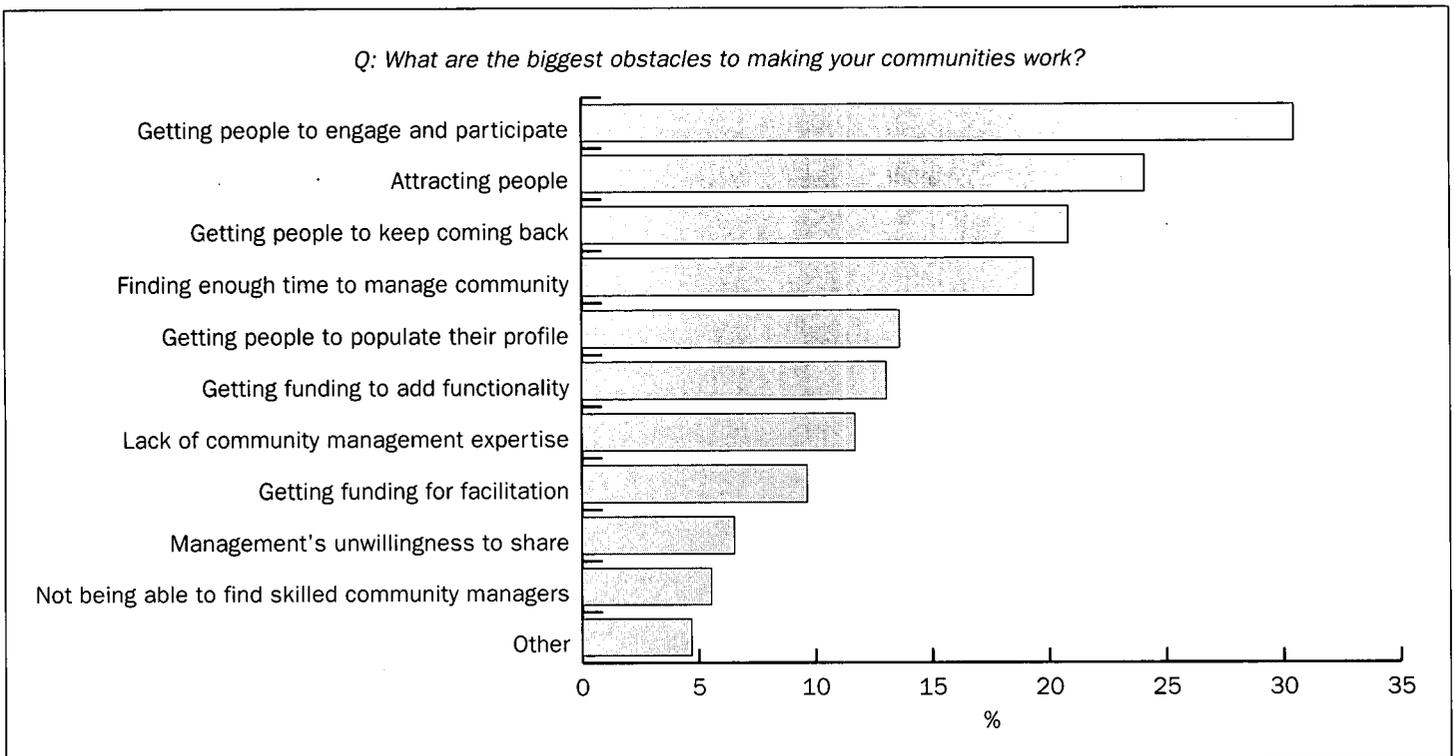


Figure 2 Biggest Obstacles

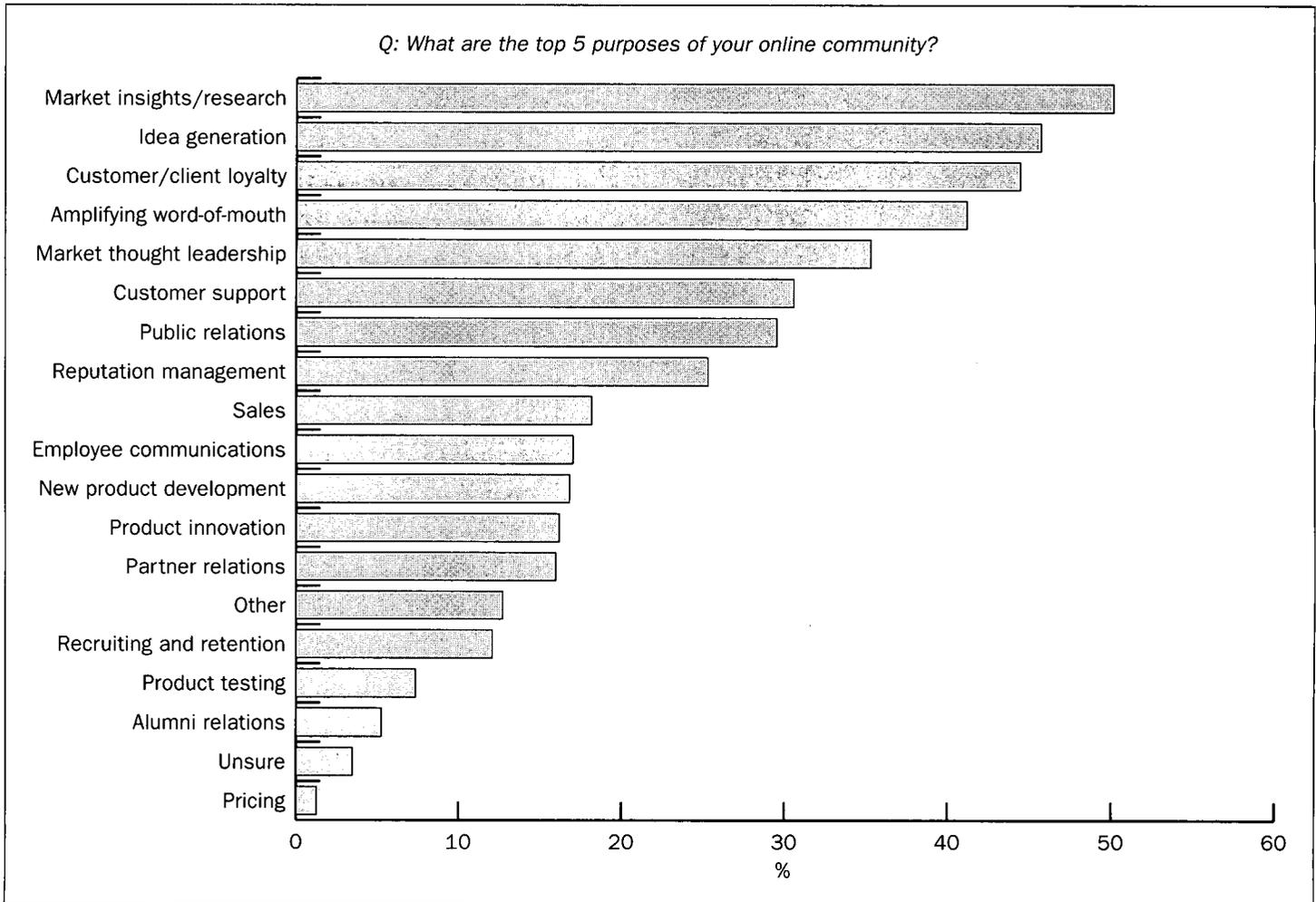


Figure 3 Top Five Purposes

During the course of the tribalization interviews and related research, the authors encountered a number of other missteps that help shed light on why developing online communities can be so challenging. The following is a list, in no particular order, of some of the most common misconceptions that contribute to community failure.

- *“Build It and They Will Come”*: Some community sponsors think that by merely creating an online community they guarantee people will populate it. The large number of well-funded, highly publicized communities that never attracted a critical mass of members and

summarily were shut down all point to the fallacy of this belief.

- *The “Not Invented Here” Syndrome*: Some community sponsors ignore the presence of existing communities elsewhere and, instead, try to create their “own” community. Very often, the sponsor is unable to persuade the tribes of the value in their moving to another place that the sponsor has created.
- *“Let’s Keep It Small So It Doesn’t Move the Needle”*: Many community-forming efforts are too small to make an appreciable difference to the business process they were intended to improve. Worse, these communities may still be very successful with smaller—but still

important—tribes; when the sponsoring organizations shut them down for apparent lack of impact, the tribes who had shown up become disenchanted.

- *“My Company Is Smarter than I Am”*: Some sponsoring companies believe that the tribes want to speak with the company and, therefore, strip out all individual company voices from the discussion. Successful communities indicate, however, that people enjoy speaking with identifiable people and form stronger relationships with humans than with organizational points of view.

Tribalization shows that successful communities tend to be much more attuned to

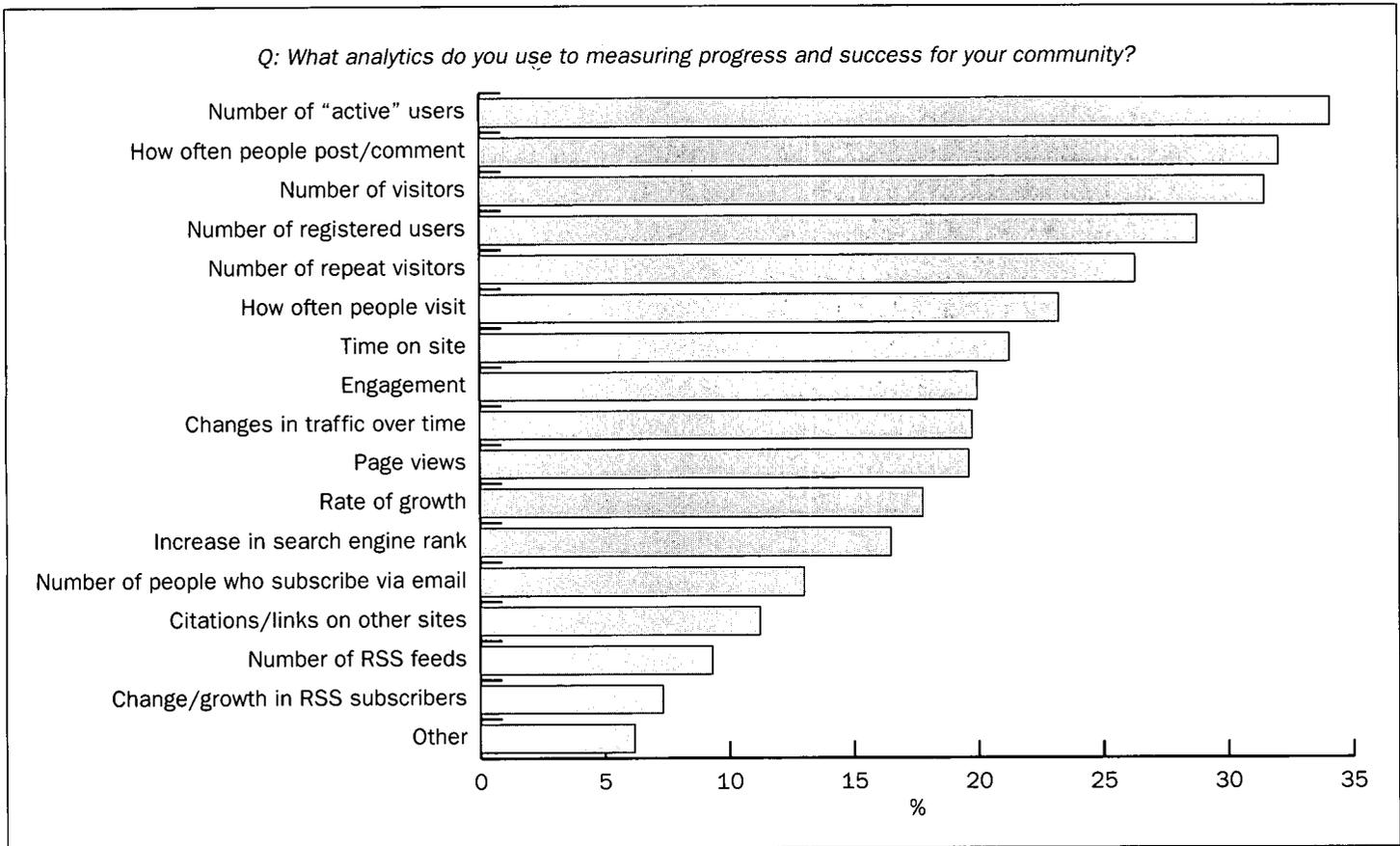


Figure 4 Analytics Used

social attributes than to deploying the latest social media tools or Web 2.0 technologies. The social aspects of communities—connecting with like-minded people, helping others, and being able to develop their reputations with other tribe members—are more important to community success than economic elements such as incentives, exclusive products, or the ability to conduct transactions with the community.

In essence, the factors most likely to contribute to the success of online communities are clearly social and, in particular, the ones that engage human qualities.

PART 2: WHAT IS HYPER-SOCIALITY AND HOW CAN COMPANIES LEVERAGE IT IN ONLINE COMMUNITIES?

The clear importance of social factors in online communities reinforces the

principle of hyper-sociality. Although these social interactions between customers and the company might appear obvious and no different than what marketers have always faced, the scaling of hyper-sociality to unprecedented levels is different.

People united by nothing more than a common interest can now have a voice equal to that of corporations; companies no longer exclusively control the platforms on which messages are sent. Moreover, social media and our communications infrastructure permit humans to exercise their more human traits—including the desire to help one another; to aggregate around topics they are passionate about; to try to look smart and important to others; to correct what they deem to be unfair behavior—in a way strikingly reminiscent of,

and as effective as, the medieval chicken buyer in the Introduction.

Another change is that marketing messages are no longer as simple and linear as they once were; the community now chats among itself, dissecting marketing messages, changing them, and retransmitting what it considers to be relevant from one network node to the next. Interactions between the company and supporters and detractors alike are now visible to the entire community. Volunteers may be more important to buzzing about your products than people you pay and can control. This is all messy and requires new skills, policies, and processes on the part of marketers.

As a result of studying how some companies effectively harnessed consumer engagement in their communities, the

authors have identified four pillars of hyper-sociality that typically are practiced by successful company sponsors:

- *Tribe versus market segment*: Rather than focusing on individual consumer traits (income, gender), some companies strive to understand the tribe's group behavioral characteristics (people who like to hang out online and discuss scrapbooking, for instance), and then market with that tribe in mind.
- *Human-centricity versus company-centricity*: Successful communities put the users first, have fair terms of use, and protect what their tribes value. The company sponsoring the community is there to help the tribe—not be helped—and consistently demonstrates this mindset.
- *Network versus channel*: Marketing messages now travel through networks of supporters, detractors, and bystanders. In a networked world, there is little opportunity for marketers to control the channel and, indeed, the best that can often be achieved is finding and engaging with the networks that matter most to their tribes.
- *Social messiness versus process and hierarchy*: Some organizations avoid hyper-sociality because it may be messy dealing with humans (especially detractors) in public forums; some organizations actually would prefer not to engage with some people or follow rigid engagement processes. Ignoring outspoken tribe members, however, often is not the best course of action. Companies increasingly are developing processes for effectively engaging with humans in the messy world of Web 2.0 and weaving this new messiness into corporate practices and policies.

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The capacity of consumers to act in a hyper-social manner looks to be in a period of growth owing to several environmental factors.

period of growth owing to several environmental factors. For instance, as humans are increasingly connected to one another via the Internet and other communications platforms, and the tools of rich many-to-many communication have fallen in price and risen in popularity, we are witnessing a significant scaling of this hyper-sociality. We call many of these rich tools "social media" today, and our research indicates that these new tools—combined with our innate human hyper-sociality—promise to have significant impact on marketing, advertising, and many other corporate functions.

Marketers should consider how this new hyper-sociality will affect the ways people are influenced and how it may change how they buy. Although online communities and social-media tools are powerful for both reaching potential customers with messages (and learning about the customer), we suggest that marketers spend as much time learning about Human 1.0 characteristics as they do about social media ("Web 2.0") tools when engaging with their constituents.

In fact, human characteristics such as reciprocity, the desire for status, and the need for fairness go a long way in explaining why we see online phenomena such as people vying to be as helpful as possible to complete strangers, competing to write the highest-rated product reviews, and investing valuable time and effort setting up www.yourcompanystinks.com Web sites.

Because the Human 1.0 characteristics that have helped make the rise of social media so rapid and broad are "hard-wired"

in most of us, these attributes constitute an "anti-fad" of sorts. Simply put, people are not acting differently now that they spend hours online chatting about themselves, products, or companies; they are acting hyper-socially as they always have but on a much larger platform of participation.

Given these characteristics and the rising tide of connectivity and social media, it is unlikely we will ever return to a less hyper-social state wherein marketers again enjoy such disproportionate control over both the messages and the channels. Accordingly, it is likely that companies will need to learn to better engage with hyper-social customers and how to use social media to their mutual benefit.

The net impact of these changes and these traits likely will drive organizations to undergo a hyper-social shift and to begin marketing with increasing awareness of how they have to now engage with, and communicate value to, increasingly interconnected, vocal, and coordinated humans. Humans apparently expect the organizations they do business with to act hyper-socially—to return favors, to be fair, to acknowledge and enhance their status.

Indeed, some companies have already come to this realization and have begun to center their businesses around these hyper-social principles. Consider, for instance, the decision of certain online book retailers to warn customers who might be about to purchase a book they have already bought or to provide the most critical product reviews along side positive reviews. Then consider how the unpaid but passionate product reviewers

who rate products on the same retailers' sites can have their reviews ranked by other users, enhancing the status and reputation of the most gifted reviewers. These businesses clearly have grasped hyper-sociality and have begun shifting their organization in that direction.

Marketers also likely need to consider how their marketing department will need to work with different parts of their organizations in new ways to capitalize on the rich new knowledge flows that are being created by the increased interaction with customers, employees, and business partners. Although today marketing is typically at the junction where social media meet the company, this is likely to change when corporate functions such as customer service, product development, and sales will likely all have their own social-media touch points with the tribes as well. Savvy marketers should begin analyzing how they can use this broadening of social media across the organization to the benefit of their marketing activities.

CONCLUSION

The tribalization research indicates that creating successful online communities need not be fraught with the uncertainty or likelihood of failure some executives may fear. By examining the responses of the more than 500 companies that have participated in *Tribalization*, marketers can begin to understand those steps companies can take to forge successful online communities, enjoy deeper understanding of the customer, and foster greater trust between the organization and the tribes that matter.

When considering the tribalization data and the rising tide of hyper-sociality among consumers, marketers should begin asking themselves a series of new questions:

- How hyper-social is our marketing function and how hyper-social are the other parts of our organization that touch the customer?
- Have marketers embraced the four pillars of hyper-sociality and are we even listening to what relevant tribes are saying about our products, organizations, and services?
- Is the quest for better targeting of advertising based on better segmentation or online algorithms going to be as effective as identifying and engaging with the tribes who like or use our products? Do we marketers know what portion of our organization's marketing messages are working and being propagated by our tribes and which parts are being ignored?

The Tribalization of Business Study provides some guidance on what elements successful communities may include, but marketers should also understand hyper-sociality to effectively market to their tribes of today and tomorrow. **JAR**

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