

WHITE PAPER

The Insider's Guide to Online Community Engagement



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Introduction

What is the purpose of an online community?

What is the Purpose of an Online Community?

Following years of under-performing investments in social media platforms, online communities are experiencing a resurgence of attention and investment across both B2B and B2C industries. Nearly 80 percent of companies now maintain at least one private online community, and overall investment into these initiatives is expected to triple in size to \$1.2 billion by 2019. In our era of constant disruption, business leaders have rediscovered that the most valuable asset a brand can have is a direct relationship with its customers, and frequent access to the thoughts and conversations they are having about the rapidly-changing marketplace.

While the earliest forms of online communities in the late 1990s served to cut costs and accelerate research, brands are now using community-based initiatives to generate insights across the organization, informing teams and strategic initiatives that address customer experience, loyalty, product innovation, brand marketing, and more.

Steeped in what Gartner and Salesforce have deemed our current "Age of the Customer," brands of every size and stripe are tossing away their old playbooks and embracing a more agile approach to customer intelligence. The majority of companies are now chasing value and growth in the realm of customer experience, which appears to be the last frontier for sustainable competitive advantage. Shaving companies are innovating their digital marketing, mattress manufacturers are paving the way for disruptive direct-to-consumer business models, and technology companies are investing in feature-length films and TV series.

33%

OF COMPANIES HAVE
COMMUNITIES THAT CHANGED
THEIR MARKETING PLANS,
PRODUCTS & PRICING

86%

OF CUSTOMERS WOULD PAY
MORE FOR A BETTER EXPERIENCE

64%

OF COMPANIES STATE THAT
COMMUNITIES HAVE IMPROVED
THEIR DECISION MAKING

What is the Purpose of an Online Community?

Continued...

At a time when not even the savviest analysts can predict which technologies will dominate the market over the next 18 months, online communities have become the most promising way for brands to peer into the future and uncover insights to questions they never even thought to ask. Today's fastest growing companies have one thing in common: a clear and compelling customer journey, which is only made possible through a nuanced and holistic understanding of the customer. And branded online communities are the new go-to strategy that leading brands are using to reclaim those direct relationships with customers.

Building on FUEL CYCLE's decade-plus of experience, launching hundreds of communities for a diverse range of clients across financial services, media, technology, travel, and more, this guide compiles the latest insights and best practices that our community management team uses when consulting with brands like AIG, ELLE, Hertz, and UPS. The pages that follow codify our philosophy on how brands can most effectively build strong and lasting communities that provide tangible results for their bottom line.

60%

LARGE COMPANIES HAVE
AN ONLINE COMMUNITY,
WITH AN EXPECTED

15%

INCREASE IN THE NEXT
15 MONTHS

86%

FORTUNE 500 COMPANIES
REPORT COMMUNITIES
PROVIDE INSIGHT INTO
CUSTOMER NEEDS

MARKETERS BELIEVE ONLINE COMMUNITIES:

BENEFIT BUSINESS OPERATIONS

86%

IMPROVE CUSTOMER JOURNEY

85%

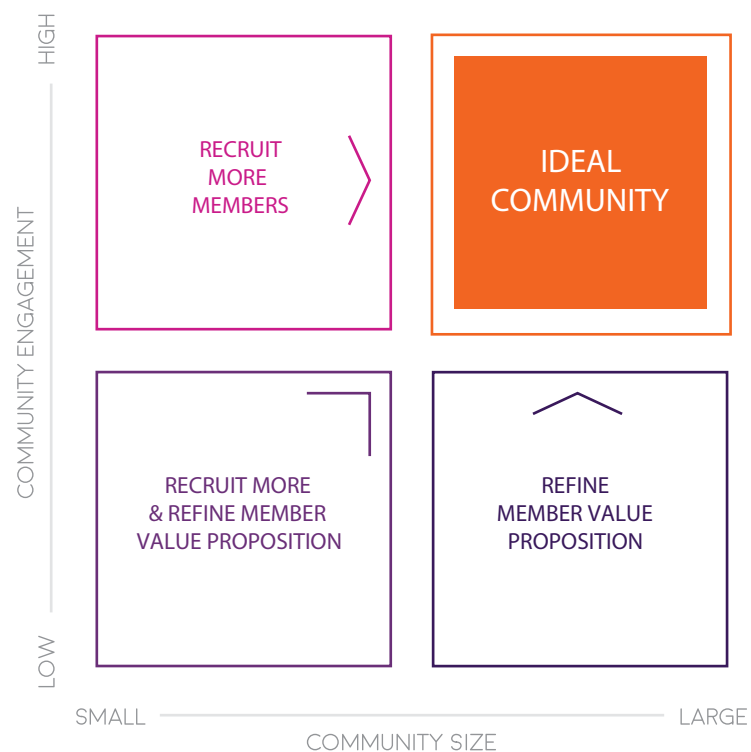
1. Starting Up

How to Launch Your Online Community

How to Launch Your Online Community

Recruitment and engagement are the two vital mechanisms that dictate your community health. As illustrated in the chart below, the ideal community has a high and steady rate of both new member recruitment, and ongoing member engagement, and a deficiency in either area can significantly hurt the prospects of generating accurate or valuable insights from your community over the long-term.

The bulk of this playbook will discuss in detail our framework for addressing recruitment and engagement strategies, ensuring that your team draws from a diverse range of recruitment sources and communicates a clear member value proposition (MVP). But before diving into the details, we wanted to first address a few of the common questions or myths that persist around launching an online community.



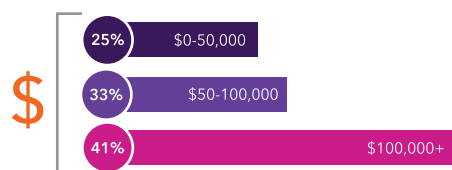
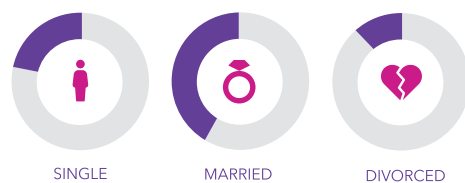
“Recruitment and engagement are the two vital mechanisms that dictate your community health.”

The Right Size

Although it may be tempting to think otherwise, the reality is that there is no universally correct size for a community. Every group of customers and stakeholders is different, and the minimum or ideal size will depend upon your specific audience as well as your organizational goals. For example, a community of “IT decision makers” will likely look significantly different in size and makeup than a community of “primary household shoppers.”

More often than not, the success of a community is determined by the level of interaction amongst its members rather than the maximum size of its potential audience. The majority of communities powered by FUEL CYCLE start small, ranging anywhere from 500 to 5,000 members, but grow steadily over time. All things being equal, our team advises that bigger is generally better. Over time, we believe that branded communities can evolve to accommodate nearly any and every kind of customer, and we expect to see these channels eventually grow to the hundreds of thousands or millions of people.

The Right People




Communities are only as valuable as the quality of their members. Having the right people is essential to long-term success, but it is also a careful balancing act negotiation, as your ideal audience will change over time depending on your evolving goals and/or product offerings. As a rule of thumb, FUEL CYCLE encourages community managers to build membership through as diverse a set of sources as possible, and to carefully vet the quality of the members that come from each recruitment channel. Some sources will recruit more engaged members than others, and the demographics will inevitably vary. If an email list is 20% female and 80% male, it is highly unlikely that you'll recruit more than 20% female users from that channel into your community.

Branded vs. Unbranded

This topic has long been a subject of debate amongst community experts, but our research team at FUEL CYCLE consistently finds that there are several distinct advantages that come with running a branded online community. These environments generate significantly greater levels of organic engagement, with members registering up to 300% higher interaction rates than their counterparts in unbranded communities. Greater organic engagement also means that branded communities rely less on financial incentives to foster feedback amongst members.

The traditional argument in favor of unbranded communities has been their potential to minimize bias in the research process. And while there are certainly merits to this approach, it also reflects an increasingly outdated mindset, inspired by the analog tactics of telephone

and door-to-door surveys, which occurred on a much smaller scale. The vast majority of customer research conducted today is completed almost entirely online, generating a volume of insights that would have been unimaginable even a decade ago.



HIGHER INTERACTION
RATES FROM BRANDED
ONLINE COMMUNITIES

The Right Partner

Unlike most marketing and customer engagement channels, communities are living and breathing entities, and their success depends upon a sustained attention and agility to adapt to the changing needs of their members. No matter what the specific business goals are for your online community, look for technology partners that prioritize user adoption, support a broad range of engagement capabilities across desktop and mobile devices, and can integrate with important vendors across the organization (such as e-commerce, survey, or CRM solutions).

Active communities require round-the-clock moderation, and depending on your own internal bandwidth or resources, your team may need to employ a self-service, full-service, or hybrid approach to community management. When evaluating potential partners, be sure that a vendor's technology and account management team can effectively fill the gaps needed to execute your specific community playbook.

2. Recruitment

Finding the Right People for Your Community

Finding the Right People for Your Community

No community can endure without a steady and well-oiled recruitment apparatus. The amount of time and resources necessary to recruit a minimum threshold of members will vary depending on a range of factors outlined below, but one constant theme that FUEL CYCLE research sees time and again is that continuous recruitment, from a diverse range of sources, results in the healthiest and most impactful communities, in part because they minimize the effects of any existing members becoming inactive or leaving the community over time.

Depending on your business, industry, or target audience, some recruitment methods are sure to be more effective than others, and brands are right to focus their efforts (and dollars) on those channels that provide the greatest return. But FUEL CYCLE intelligence also finds that it is crucially important that even the most established recruitment strategies continue seeking out and experimenting with new possible sources. Cultivating a mix of recruitment channels bestows a community with important self-sustaining qualities, including member diversity, overall potential recruitment volume, minimum source dependency, and stabilized continuous activity.



EMAIL



NATIVE APP



RECEIPTS



WEBSITE



CUSTOMER RESEARCH



SOCIAL



MARCOM MATERIALS

“Depending on your business, industry, or target audience, some recruitment methods are sure to be more effective than others, and brands are right to focus their efforts (and dollars) on those channels that provide the greatest return on investment.”

Sources

Technically, any piece of digital or physical “real estate” where a link can be posted, embedded, or printed can become a recruitment source for your community. Community managers have become endlessly creative in brainstorming methods and tactics for recruiting members, but there are also a few major channels that continually prove successful for driving membership over the long-haul:

Email: The most efficient and cost-effective way to recruit members. When drafting an invite to share with your CRM contacts, articulate the objective of your community, the scope of its activities, and the intended member value proposition. In this context, FUEL CYCLE also suggests that brands highlight the exclusivity of their community, and the opportunity that members will have to directly influence company decisions and brand development.

Social: Another effective and inexpensive recruitment tool, as brands can seamlessly share their community recruitment link in Facebook posts, pinned Tweets, Instagram bios, and LinkedIn profiles. While maintaining the brevity that defines these busy feeds, be sure to sufficiently explain the purpose of the community, and its potential value to prospective members.

Website or Native app: Any online destination owned by a brand can serve as a way to grow its community membership. Communicate with teams across your organization to ensure that the community, along with its objectives and MVP, are featured on any and all relevant company websites and mobile apps.

Existing Marcom Materials: Sending a community invitation to your CRM contacts doesn't prevent your team from continually re-promoting the community in other email and marketing communications in the future. Encourage your customer marketing teams and front-line salespeople to promote the community in newsletters, event invites, email signatures, and more.

Receipts: Think about unconventional channels or real estate where an invitation could enjoy high visibility and reach a large portion of your prospective membership base. Miscellaneous but highly-visible objects like receipts, napkins, or “SWAG” present easy and often overlooked opportunities to promote your community.

Other Customer Research: Chances are that your marketing team has a number of other research initiatives underway in addition to your online community. Consider how these various activities can be used to drive engaged customers to conversations within the community where their input may be particularly relevant or valuable.

Recruitment Size Calculation

No matter what target size you set for your recruitment efforts, there are some reliable calculations that community managers can perform to estimate the number of invitations needed to deliver on that goal. Generally speaking, the number of invitations needed will follow the below formula:

$$N \div I \div C \div O \div CTR = \text{TOTAL INVITATIONS NEEDED}$$

Target Number of New Members \div Incidence Rate \div Conversion Rate \div
Open Rate (Email Only) \div Click-Through Rate = Total Invitations Needed



Target # of New Members



$\frac{\text{Number of People Who Qualify for Community}}{\text{Population Size}} * 100 = \text{Incidence Rate}$



$\frac{\text{Number of People Who Activate Account}}{\text{Number of People Who Pass Screener}} * 100 = \text{Conversion Rate}$



$\frac{\text{People Who Opened Email}}{\text{People Who Recieved Email}} * 100 = \text{Open Rate}$



$\frac{\text{People Who Clicked On Link}}{\text{People Who Saw Link}} * 100 = \text{Click-Through Rate}$

Recruitment Size Calculation

Multiple Subgroups

The recruitment process is often complicated by the need to have a balanced member quota amongst multiple subgroups in your community. For example, you may want a group equally composed of 50% females and 50% males, in which case the incidence rate, open rate, and click-through-rates might vary considerably between the two subgroups. Community managers can compensate for these differences by subdividing their target community size by the number of subgroups within the community, and then completing the basic calculation for each of those subgroups.

Example: Multiple Subgroups

Adam's internal business partners let him know that they need 40% females and 60% males in the MegaCorp community. They still want 1,000 people overall, which means 400 females and 600 males.

Adam works with his marketing team to get incidence rates, open rates and click-through rates for both males and females. He expects the conversion rate to stay the same across both groups, but there are some significant variations in the other rates, which are listed below.

Using the same equation as above, Adam calculates the necessary invitations for both females and males:

MALES	RATE
Incidence Rate	45%
Conversion Rate	95%
Open Rate	60%

FEMALES	RATE
Incidence Rate	60%
Conversion Rate	95%
Open Rate	30%

MALES $600 \div 45\% \div 95\% \div 60\% \div 50\% = 4678$ invitations

FEMALES $400 \div 60\% \div 95\% \div 30\% \div 40\% = 5848$ invitations

What Adam finds is that in order to have a community of 1,000 people with a 40/60 female:male ratio, he will need to send 5,848 invitations to MegaCorp's female audience and 4,678 invitations to MegaCorp's male audience. Because of the differences in incidence, open and click-through rates, Adam will need to send more invitations to females than males, despite having a smaller target number of females in the community.

Recruitment Size Calculation

Our View: Abandon Marginal Quotas

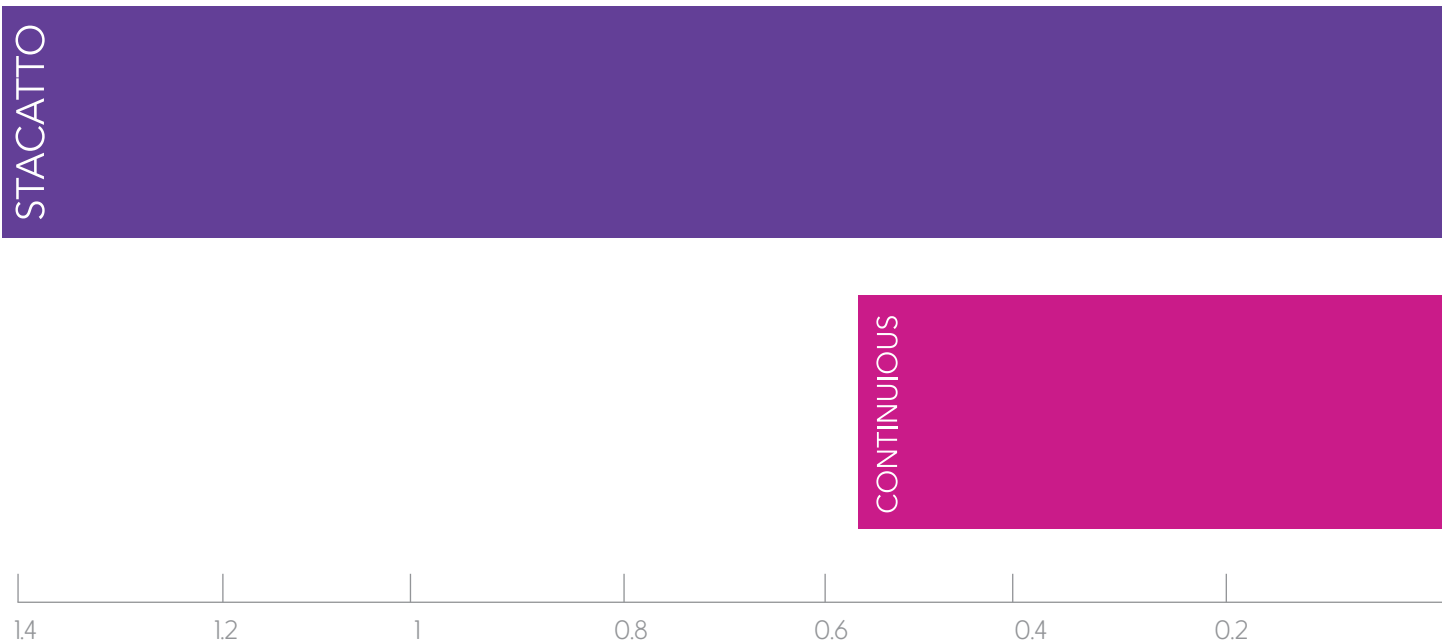
One of the traditional staples of online survey research has been the marginal population quota, a set limit on the size of each subgroup that attempts to make a sample look proportional to the population of interest. While these quotas are well-intended, they do not translate well into the world of online communities, and can waste the potential engagement of otherwise valuable community members. Rather than eliminate a person that could serve as an active participant in the future, community managers should focus on recruiting to ensure that a minimum number of each audience subgroup are included in the community.

Recruitment Frequency

Community managers face a bevy of unpredictable challenges in their efforts to build a sizable and vibrant community, but a common challenge for any recruiting operation is the significant swings in active membership that occur after a specific recruitment event. Many brands and community managers traditionally practice these staccato modes of recruitment, executing occasional campaigns roughly in quarterly, semiannual, or annual intervals. But the latest research from FUEL CYCLE has found that this volatility can be harmful to a community, affecting base sizes for surveys, discussion comments, and the overall value of the community to your organization.

Volatility can be harmful to a community, affecting base sizes for surveys, discussion comments, and the overall value.

Average Standard Deviation by Recruitment Strategy



Recruitment Frequency

In what represented the industry's first deep-dive study into the effects of recruitment strategies on volatility, FUEL CYCLE compiled data from a broad set of communities over an 18 month period, and segmented those samples into two buckets based on their recruitment strategy -- staccato vs. continuous. Our results found that communities supported by staccato recruitment strategies were a staggering 200% more volatile than those driven by continuous recruitment.

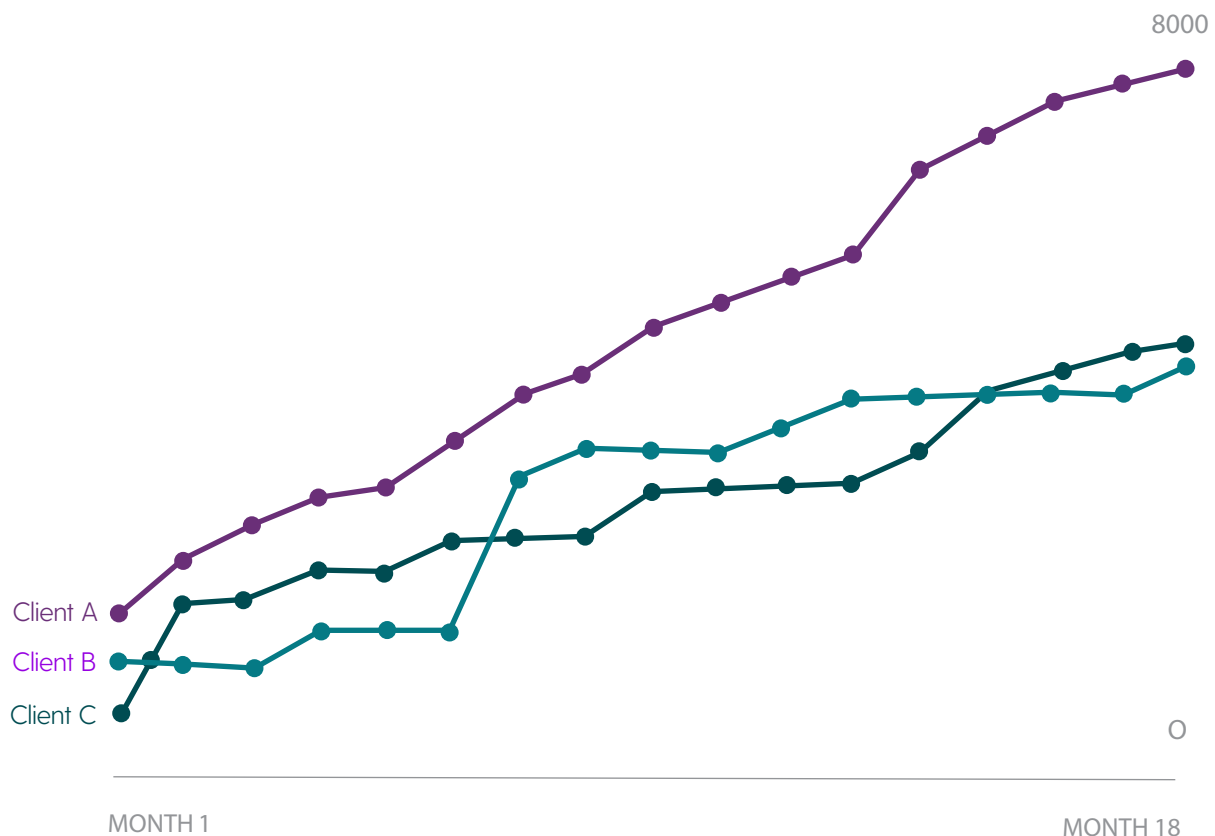
This study suggests that community managers can prevent wild swings in active membership in part by adopting a continuous recruitment strategy. These communities have more consistent survey base sizes and higher average discussion comment volume. But they are not a panacea, and an alternate recruitment strategy alone will not quell the volatility of your active membership if not also combined with a broader commitment to best practices for community management.

Any community manager can begin embracing the shift from staccato to ongoing recruitment by integrating links into as many customer and marketing communications as possible. Even brands that may be strapped for time and resources can add community links to existing campaigns, such as newsletters, social media posts, websites, and native mobile apps. This approach extends offline as well, with the potential to embed community mentions on freebies, one-sheets, posters, and advertisements. To effectively close the loop on these continuous recruitment efforts, make sure it's easy for potential members to join the community once they arrive on-site. Many brands enable a kind of "Join Now" button that allows people to instantly log in using their customer and/or social accounts.

Growth Takes Time

Healthy communities take time to grow. Whether you're aiming to build a community of 5,000 members, or 500,000, it's unlikely that you'll reach your target within the first days of recruiting. Our research at FUEL CYCLE finds that growth is most successful when a continuous recruitment strategy is utilized, but even those efforts won't immediately send your recruitment numbers skyrocketing. Below is a chart displaying absolute growth for three representative communities, supported by ongoing recruitment strategies, that each took a minimum of six months to double in size:

"It is 6-7x more expensive to attract new customers than keep existing customers."

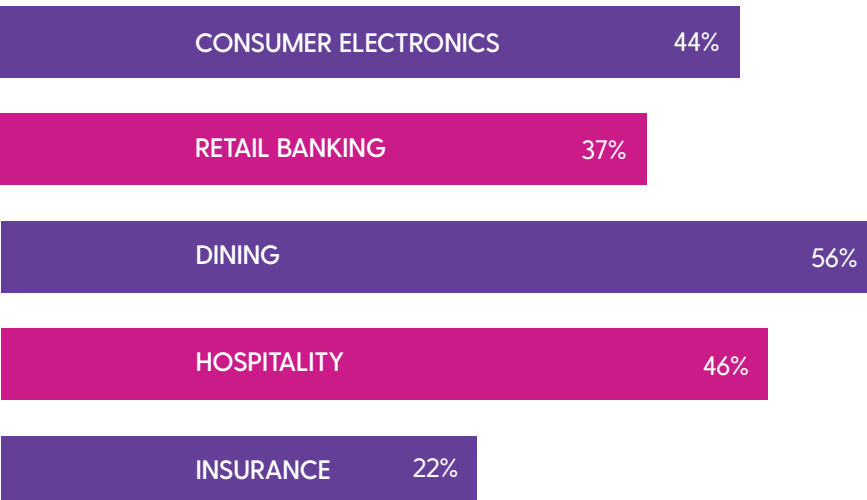


3. Engagement

Discovering The MVP Of Your Community

Discovering the MVP of Your Community

ENGAGED CUSTOMERS SPEND MORE:



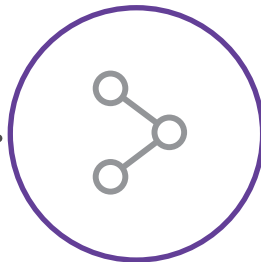
Even the biggest online community is of little use if its members rarely interact with one another. Without sufficient motivation, community members will likely under participate in your community, and then any semblance of a so-called “community” ceases to exist. Consistent levels of active engagement are vital to your community’s long-term health, and whether your goal is to gather audience insights or deepen customer engagement, its engagement levels rely on your ability to find and articulate a clear member value proposition to community members.

What will cause community members to take time away from their day and participate in the community?

One common approach to developing an MVP is to ask the question: “What will cause community members to take time away from their day to participate in the community?” It’s not an easy question to answer, especially in today’s saturated marketplace, where consumers enjoy an almost infinite number of compelling ways with which to fill their time. But the question must nonetheless be asked, as the only way a community can break through the noise and succeed is if it offers something unique to members, a value substantial enough to alter a person’s behavioral inertia and encourage them to give the community a trial run.

Sources of Motivation

There is no single or universal motivation that can be applied across communities. Audience behaviors, motivations, and interests are often as heterogeneous and varied as your community members, and some communities are naturally more engaging than others. For example, media and entertainment brands (unsurprisingly) tend to see greater organic engagement than financial services companies. Successful communities address a range of motivational sources, that appeal to diverse audiences, and there are three broad categories that FUEL CYCLE intelligence finds exist across industries.



EDUCATIONAL: Members want to engage with and learn about brands they are interested in. This applies to both B2C and d industries where there is an opportunity to either entertain or educate an audience about your product or service. For example, a TV network might offer community members exclusive access to behind-the-scenes footage from a popular show, or a global logistics provider might share its in-house data to help small-to-midsize businesses better understand where there are opportunities for increased distribution.

SOCIAL: Every community is inherently social, but there is also a particular breed of community that attracts the most passionate enthusiasts around a given subject or activity. In the world of outdoor recreation, retailers might use discussion pages to organize regional camping, fishing, and hiking trips. Alternately, a small business software company might encourage its clients to enroll in a community where they can share best practices and tips with like-minded companies.

UTILITARIAN: Many communities incorporate some kind of recognition or reward for participation into their MVP. These rewards can be financial, often in the form of digital gift cards or loyalty points, or they can provide privileged access to new products and services before they go into mainstream production.

Sources of Motivation

Our View: Incentives Trump All

Across every community we host, FUEL CYCLE finds that incentives are the only consistent source of value proposition. Whether a community is in financial services, media, or travel, incentives have proven effective at increasing engagement and participation, and we recommend that every brand incorporate some form of incentives into their community experience.

The suggested volume or frequency of incentives vary depending on the “exclusivity” of a specific community membership. In this case, exclusivity is defined by audiences that are either hard to access (e.g. doctors, left-handed people with mustaches in LA), or extremely valuable (e.g. only able to access once a year through the company CRM). Wherever audiences tend to be more exclusive, we strongly recommend the use of incentives to spur those prospective community members into action sooner rather than later.

4. Conclusion

The Metrics That Matter

The Metrics That Matter




Even the best-laid plans are useless without proper execution, and that maxim is particularly true for online communities. While the success of most digital marketing efforts can be assessed through specific actions (such as subscriptions, registrations, or purchases), communities only reap outsized rewards when developed carefully over time. Their most profound value resides in the longitudinal data generated by long-term, active users, and it follows that the most valuable technology partners offer intelligent dashboards capable of parsing and displaying that data in ways that can inform decision-making across the organization, from sales to customer service to product innovation.

The trove of customer intelligence generated by online communities only grows more valuable over time, enabling brands to analyze current trends or activity against historical data, and ultimately uncover insights to questions and ideas their teams never even thought to ask.






In our era of constant disruption and ever-more empowered consumers, communities are no longer a luxury, but instead the new table stakes. Companies across nearly every industry are

racing to differentiate their customer experience and innovate across the customer journey. And our experience at FUEL CYCLE consistently proves that brands with a well-honed community strategy are best prepared to navigate these rapidly shifting marketplaces, equipping teams across the organization with the information they need to make customer-centric decisions.

RECRUITMENT

-  Absolute growth
-  Conversion rate
-  Incidence rate

ENGAGEMENT

-  Active rates
-  Participation rates
-  Email performance
-  Logins per Member
-  Incentive Redemption

14%

INCREASE IN CUSTOMER
RETENTION WHEN BRANDS
APPLY DATA & ANALYTICS

The Metrics That Matter

To ensure that your community maintains healthy levels of both new member recruitment and ongoing member engagement, below are some of the key metrics to monitor on a regular basis:

Recruitment

Absolute growth: The absolute growth of the community over time

Conversion rate: The rate at which potential community members convert from starting the recruitment process to becoming double opt-in community members

Incidence rate: The rate at which respondents to a screening survey qualify for the community

Engagement

Active rates: The percentage of community members who have logged into the community in the past 30 days

Participation rates: The percentage of community members who have logged into the community and participated in any action inside the community.

Email performance: Open and click-through rates for outbound emails to the community

Logins per Member: The number of logins per community member in a given time period

Incentive redemption: The rate at which community members redeem points or incentives in the community

Want to learn more about how online communities can most effectively support your business goals?

Send a note to our team to schedule a free one-on-one consultation:
info@fuelcycle.com