

# Virtual Communities and E-Business Management

**Carlos Flavián**

*University of Zaragoza, Spain*

**Miguel Guinaliú**

*University of Zaragoza, Spain*

## INTRODUCTION

As a result of the new possibilities offered by Internet managers are increasing options provided by the new technologies in strategic planning. The virtual community has become one of the more interesting options.

The general aim of this article is to explain the concept of virtual community, paying special attention to the most important strategies and management suggestions. Firstly, we will analyze the concept of community from a sociological viewpoint. We then define a virtual community and what causes an individual to belong to one. Secondly, we will show the main strategic implications of the development of virtual communities. Next we will detail a series of recommendations for the proper management of virtual communities. The two final sections present the future trends of research and the main conclusions of the article.

## BACKGROUND

From a sociological perspective, Muñiz and O'Guinn (2001) consider that a community may be defined as having three principal elements:

- **Consciousness of Kind:** This refers to the feeling that binds every individual to the other community members and the community brand (e.g., admiration for Elvis Presley, or the passion for owning and driving a Volkswagen Beetle). It is determined by two factors: (1) legitimization, the process of establishing a difference between true and false members, that is, those who have opportunist behaviors and those who do not; and (2) opposition to other brands. In fact, identification with the rest of the group is mainly based on opposition; in other words, brand community is usually defined in comparison with another brand (e.g., the rivalry between fans of The Beatles and The Rolling Stones).

- **Rituals and Traditions:** These are processes carried out by community members which help to reproduce and transmit the community meaning in and out of the community. Members relate to each other with the memory of major events in the history of the brand and certain behaviors. All these processes help to reinforce brand consciousness and improve instruction on communal values.
- **Sense of Moral Responsibility:** This reflects the feelings which create moral commitment among community members. A sense of moral responsibility encourages conjoint behaviors and enables stronger group cohesion. As a result of moral responsibility, there are two types of fundamental actions: (1) integration and retention of members, which guarantees the community survival (e.g., by spreading bad experiences suffered by those individuals who chose a different brand); and (2) support in the correct use of the brand (e.g., by sharing resources and information about product properties).

Thanks to the Internet, social relationships can be developed in a new environment. Thus appears the idea of virtual community. The first virtual community was created in the seventies, specifically with the Talkomatic software, designed by Doug Brown of the University of Illinois in the autumn of 1973. However, it was not until the nineties that there was an exponential growth of this type of organization.

Several authors offer definitions of virtual community. Cothrel (1999) defines it as a group of individuals which uses computer networks as a form of primary interaction. Kardaras, Karakostas, and Papathanassiou (2003) consider it to be a group of individuals who communicate by electronic means such as the Internet, who share interests, without needing to be in the same place, or having physical contact, or belonging to a particular ethnic group. More specifically, the concept of virtual community is defined by Rheingold (1993) as a "social aggregation originated in the Internet when people discuss in this communication channel." Similarly, Yap (2002)

explains that a virtual community is a social group originated in the Internet with certain beliefs, social forms (language, etc.), and traits that creates an emergent culture among its members. With a greater degree of complexity, Muñiz and Schau (2005) point out that a common aspect of virtual communities might be the potential for transcendent and magic-religious experiences. Finally, Preece (2000) states that a virtual community is formed by people:

- with a wish for interaction among them in order to satisfy their needs,
- that share a particular interest which is the reason for the community,
- with certain norms that guide the relationships, and
- with computer systems that favor interaction and cohesion among the members.

## THE MANAGEMENT OF VIRTUAL COMMUNITIES

### Strategic Issues Related to Virtual Communities

The exploitation of virtual communities may be implemented by means of two different marketing strategies: offering support or becoming a member of the group.

#### Strategy 1: Offering Support to the Community

This strategy supposes that a company manages the platform on which the community exchanges take place. This company is not a member of the community, but simply facilitates its existence by offering a Web site for communication purposes. For the development of this strategy, the main step should be an analysis of the real possibilities of creating a community via the Internet. These possibilities derive either from the particular characteristics of a product or brand, or else the pre-existence of the community offline. In the first case, the company should define the aspects which characterize the product or brand to ascertain to what extent these are likely to create an attendant community (e.g., the company Apple, <http://www.apple.com/usergroups/>, exploits the characteristics of Apple computers). In the second case, a new, better quality method of communication is offered to a group of individuals who are already linked outside the Internet (e.g., MarketingProfs.com, <http://www.marketingprofs.com>, facilitates communication between marketing consultants and educators).

#### Strategy 2: Become a Member of a Community

In this case, the company attempts to be perceived as a virtual community member. In this respect, obtaining the level of membership of a community will depend on the trustworthiness perceived in the company. According to established literature on trust (e.g., Roy, Dewit, & Aubert, 2001; Sako & Helper, 1997; Morgan & Hunt, 1994; Anderson & Narus, 1990; Dwyer, Schurr, & Oh, 1987; Anderson & Weitz, 1989; Bhattacharjee, 2002; Cheung & Lee, 2001; Gefen, 2000; Kolsaker & Payne, 2002; Luo, 2002; Walczuch, Seelen, & Lundgren, 2001; Geyskens, Steenkamp, & Kumar, 1998; Sabel, 1993), the organization needs to demonstrate its *honesty* (i.e., that it is sincere and delivers its promises); *benevolence* (being concerned for the welfare of the other members of the community, not acting in an opportunistic manner, and attempting to have compatible objectives); and *competence* (that is, it has sufficient capability for its contributions to the community to be significant and to generate value).

Hagel and Armstrong (1997) and Flavián and Guinaliú (2005a) show the virtual community as a tool that can increase the chances of success in the marketing and distribution of products over the Internet. The virtual community can boost a company's product differentiation by increasing commitment and emotional ties with the brand. Furthermore, brand awareness is increased, since the community acts as a catalyst in the transmission of word-of-mouth messages. Thirdly, the virtual community brings about a more effective market segmentation, increases consumer trust and security, acts as an information source, and can even become a major source of direct income. In a more detailed way, we can distinguish these managerial implications:

- **New Forms of Communication:** Hoffman and Novak (1996) notice the replacement of traditional communication models (one-to-many) with others in which the interactions between all the participants in the market are constant (many-to-many). The virtual community represents these changes. Thanks to social network and the use of the Internet, messages are transmitted to the community within a short period of time, obviating the need for costly investments in the mass media and thus reducing promotional costs (Barnatt, 2001; Guthrie, 2000; Kardaras et al., 2003; Wang, Yu, & Fesenmaier, 2002).
- **Information Source:** The virtual community becomes a relevant information source for the decision-making process (Hagel & Singer, 1999; Holmström, 2000; Barnatt, 2001; Kardaras et al., 2003).

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