Enhancing E-Commerce through Sticky Virtual Communities

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INTRODUCTION

Virtual communities (VCs) are places on the Web where people can find and then electronically 'talk' to others with similar interests. VCs primarily act as coffee shops, where people come and meet each other rather than focusing on content or commerce (Gupta & Kim, 2004). Still there are commercial ones where people can conduct transaction, auction, and commerce. The concept of a virtual community was born in 1993 when the Internet was first established in the United States (Rheingold, 1993). Today, virtual communities are more than just a means of connecting individuals and organisations. Today VCs acts as a business model employed by the digital economy for generating income, primarily through advertising (Reinhard & Wolkinger, 2002).

Although virtual communities are still widely popular today, accounting for 84% of the Internet usage in 2002 (Horrigan, 2002), no one has yet agreed on a common definition for the term (Schoberth & Schrott, 2001). Schubert and Ginsberg (2000) defines a virtual community as a shared semantic space where individuals and organisations come together regularly to share common interests and values electronically. The definition varies depending upon the purpose served by the Web site. Based on a comprehensive research, Gupta and Kim (2004) developed a definition based on essential elements of a virtual community and define VC as a groups of like-minded strangers who interact predominantly in cyberspace to form relationships, share knowledge, have fun, or engage in economic transactions (Gupta & Kim, 2004).

VCs play a bigger role in many aspects of a member's life, from forming and maintaining friendships and romantic relationships, to learning, forming opinions, purchasing, and consuming products and services (Hagel & Armstrong, 1997). VCs are also ideal tools for **e-commerce**, marketing, knowledge building, and e-learning activities. Particularly, VCs add value by providing repeated points of contact which increase the stickiness of the Web site (Laudon & Traver, 2003). People love to interact on Internet and by facilitating their interaction users can be retained on site. The longer they are on site the greater are the chances of making the sale. How do these VCs exactly increase the stickiness of the Web site and how do they add business value to the Web site? To answer these questions we will visit hardwarezone.com (Appendix 1), a Singapore based virtual community which has been phenomenally successful since its inception. But before that we will briefly review the concept of stickiness.

CONCEPT OF STICKINESS

Various definitions emerge characterising stickiness of a Web site and therefore it would be worthwhile to understand what exactly stickiness is. Various researchers describe stickiness in quantitative terms (such as time spent online in a given time period and number of repeat visits paid by customers) and qualitative terms (such as ability of a Web site to retain customers, usefulness of the site, and increase in switching costs). To clearly understand the concept of stickiness, therefore, we should look into why we need stickiness in the first place. The basic problem with an Internet Web site is that it does not guarantee the return of a customer. Keeping the customers on the site is important to increase the popularity of the site especially when it comes to e-commerce and e-business. A sticky Web site is one which is able to retain customers or members for a length of time. Now whether to measure stickiness qualitatively or quantitatively depends on the context under consideration. For Web sites obtaining revenues from advertising, it is important that the customer stays at the site for a long period of time as to be exposed to the advertisement. For Web sites obtaining revenues from transaction, it is important that the customer repeatedly visits the Web site, though it is desirable that the customer completes the transaction in as minimum clicks as possible.

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In an e-commerce environment (e.g., an online store) the goal of increasing stickiness is that the customers complete transactions in the store and pay repeat visits to the store. However, in an e-commerce environment where one-click transactions are marketing strategies to attract customers, quantitative measures of stickiness such as length of visit could be deceptive. Similarly, measuring stickiness by another quantitaive measure, such as repeat visits, could be deceptive as a customer may pay repeat visits but may not perform the transaction. Repeat visits can be measured by server logs but whether the customer intends to perform the transaction cannot be so measured. Also, there are a number of lurkers and information gatherers who browse the Web site. Therefore, the number of repeat visits or the number of visitors as obtained from server logs does not give an idea of stickiness of the Web site.

Therefore, it is important that we measure the intention of a customer to stick to the Web site and perform transaction. This will give the actual stickiness of a Web site linked to its performance. This view is supported by many researchers. Turban and King (2002) define stickiness as a characteristic describing customer loyalty to a site. This represents the perspective of the customer. Stickiness of a Web site can also be defined in terms of its antecedents as a Web site that is easy to use, meaningful, and personalised to individual users' preferences that it encourages them to visit often and complete transactions. The different antecedents of stickiness chosen here also represent the perspective of the customer. For the purpose of this article, we will stick to the qualitative aspect of stickiness which in simple tems refers to the ability of a Web site to retain customers.

HARDWAREZONE.COM: A SUCCESS STORY

Hardwarezone.com (HWZ), a Singapore based virtual community, was established in June 1998 with a capital of only SGD $1,000. Today, its net assets have blossomed to SGD $2 million (Tan & Tan, 2005). According to Alexa, a Web traffic ranking service, the number of page views per month for HWZ shot dramatically from 16 million in 1998 to 35 million in 2005 (Tan & Tan, 2005). On top of that, HWZ's forum statistics indicated a total of 224,572 members as of February 2006, more than double the number in 2002. Clearly, HWZ has been very successful over these years. What then are the factors that contribute to its success? How did it survive the dot-com crisis while many others did not?

INCREASING HWZ'S STICKINESS THROUGH VC

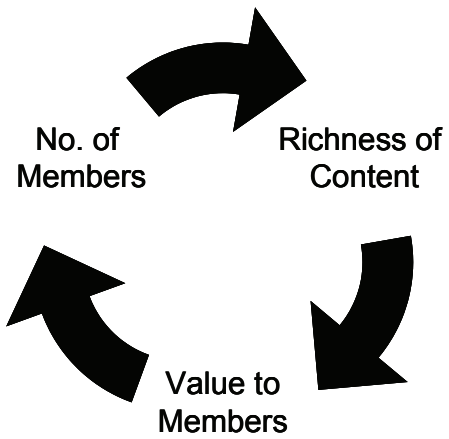
Exploitation of Network Effect

One of the critical success factors of HWZ's virtual community was network effect (Figure 1). As more people registered to become members of HWZ's forum, the virtual community of HWZ grew. The growing community means more content for HWZ and hence greater value of the virtual community. This in turn, made the HWZ virtual community more attractive to new users. The increase in members in turn generated more content, and thus a virtuous cycle for the virtual community was formed. HWZ managed to exploit this network effect by quickly building up its member base through free content (it obtained revenue through advertising).

Availability of Proprietary, Up-to-Date and Localised Content

One of the differentiating factors that drew users to HWZ was the proprietary product reviews. HWZ provided reviews on products that were tested in its own hardware testing labs. The content available within

Figure 1. The network effect at HWZ



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