

# Virtual Community as New Marketing Channel

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## FROM COMMUNITY TO COMMERCE

Virtual community is a virtual meeting place where individuals with common areas of interests share information, ideas, experiences, and feelings (Rheingold, 1993) by using information and communication technology (ICT), especially the Internet and the World Wide Web (WWW). It has been taken for granted that people with shared interests would aggregate together. This assumption is equally applicable to the virtual world. As such, a wide variety of discussion topics bring different Internet users together online across time and space.

Virtual community has been a pervasive concept emphasizing social aggregation and social events in the computer-mediated environment. This concept has been extended to the horizon of commerce. Hagel and Armstrong (1997) contend in their book, *Net Gain*, that virtual community could be an important element of a successful Web-based business structure and that community-based business structure helps expand markets for businesses. Businesses have increasingly begun to recognize that they can build their brand images, deliver promotional messages, and retain consumers' loyalty through online communities. As such, more and more businesses include bulletin boards, discussion groups, and e-mail functions in their business Web sites with the aim to creating a community atmosphere among their customers (Maclaran & Catterall, 2002). This strategy not only helps attract consumers but also helps increase return rate (Hagel, 1999). In the long run, it could promote favorable attitude toward the brand and increase purchasing behavior (Subramaniam, Shaw, & Gardner, 2000). Indeed, virtual communities have opened up new opportunities and established new models for business to reach out and communicate with their consumers.

Although the market has become more and more fragmented with the globalization of commerce, virtual communities provide businesses with access to targeted consumers in that various aggregations of Internet users are like different segments of markets. Virtual community

indeed has become a new marketing channel for business. Many online communities are business oriented in nature with business participating as organizers, sponsors, or advertisers.

## VIRTUAL COMMUNITY AS MARKETING CHANNEL

One of the challenges for businesses to maintain their relationships with consumers is to understand consumers' needs. Catering to consumers' needs would advance the business to a favorable position in the competitive market (Wang, Zhang, Choi, & D'Eredita, 2002). Traditionally, the strategy of addressing customized needs would result in increasing producing costs. However, virtual communities enable business to achieve customization at a lower cost.

From the perspective of business, members of a virtual community are as a group of consumers with common interests. These common interests are the focus of mass customization. The discussions in the virtual community also reflect dynamic needs and preferences of the Internet users, which are potential consumers to businesses. Participating in virtual communities helps businesses understand focused needs of a group of targeted consumers, which is an advantage for successful mass customization strategy.

Virtual community is as a *feedback channel* to businesses as well (Campenhausen & Lubben 2002). Perspectives, concerns, and comments of Internet users could be useful feedbacks to the businesses to improve their practices and enhance service quality. Therefore, consumers' feedbacks in the virtual community have implication to the total quality management of the business.

Virtual communities also transform information flow between businesses and consumers. Traditionally, businesses are as content producers and consumers are as content receiver in the communication process. The information flow between businesses and consumers via mass

media is one-to-many and unidirectional (Hoffman & Novak, 1996). Without an effective interactive vehicle in the traditional mass media, businesses and marketers experience higher challenge in receiving responses from the consumers (Hoffman & Novak, 1996).

Conversely, in the virtual communities enabled by the interactive nature of Internet and communication technologies, consumers not only can gather information but also can distribute information. That is, consumers can be both content producers and content receivers (Subramaniam et al., 2000). That consumers can be the content producers further reduces business costs in producing and delivering content (Subramaniam et al., 2000). It implies that the information flow in virtual communities is multidirectional and can be one-to-one or many-to-many (Hoffman & Novak, 1996).

Multidirectional information flow enabled in different types of virtual communities fosters different types of marketing strategies. One-to-one information flow in virtual community is typically between business and customer (Maclaran & Catterall, 2002). This one-to-one communication facilitates the strategy of direct marketing that emphasizes direct contact with the consumers (Maclaran & Catterall, 2002). Many-to-many information flow, on the other hand, is typically among consumers and is less emphasized by online marketing. However, consumer-to-consumer communication online is similar to word-of-mouth communication in the real world that has been shown to be more effective in influencing consumers' decision making than marketer-dominated communications. Business can benefit from the leveraging of consumer-to-consumer communication in virtual communities with less business intrusion if business practices are well managed.

## **VIRTUAL COMMUNITIES STREAMLINE CONSUMERS' DECISION-MAKING PROCESS AND BUSINESS PROCESS**

Virtual communities not only provide advantages to business but also to consumers. Messages disseminated in virtual communities are as "collective knowledge" of products and service that is an important information source to consumers (Subramaniam et al., 2000). This collective knowledge is like collaborative efforts contributed by individuals with diverse experiences and backgrounds.

Virtual community as an interactive information source also streamlines consumers' decision-making process that includes steps such as external information search, alternative evaluation, and postpurchasing evaluation.

Many virtual communities within business Web site also provide the function of placing orders. In this regard, virtual communities converge the process of information acquisition and order fulfillment into one channel and therefore reduce search cost, switching cost, and purchasing risk for consumers.

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## **KEY TERMS**

**Collective Knowledge:** Knowledge produced and shared by a group of people. Virtual community is a source of collective knowledge with the contribution of its participants.

**Customization and Mass Customization:** Customization is consumer-centric strategy that produces

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