



# CONTAGIOUS

The Conversation Economy /

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## The Conversation Economy / Forward-thinking brands are taking to private online communities as a means of establishing high-value dialogue with consumers / By Stephen Cribbett /

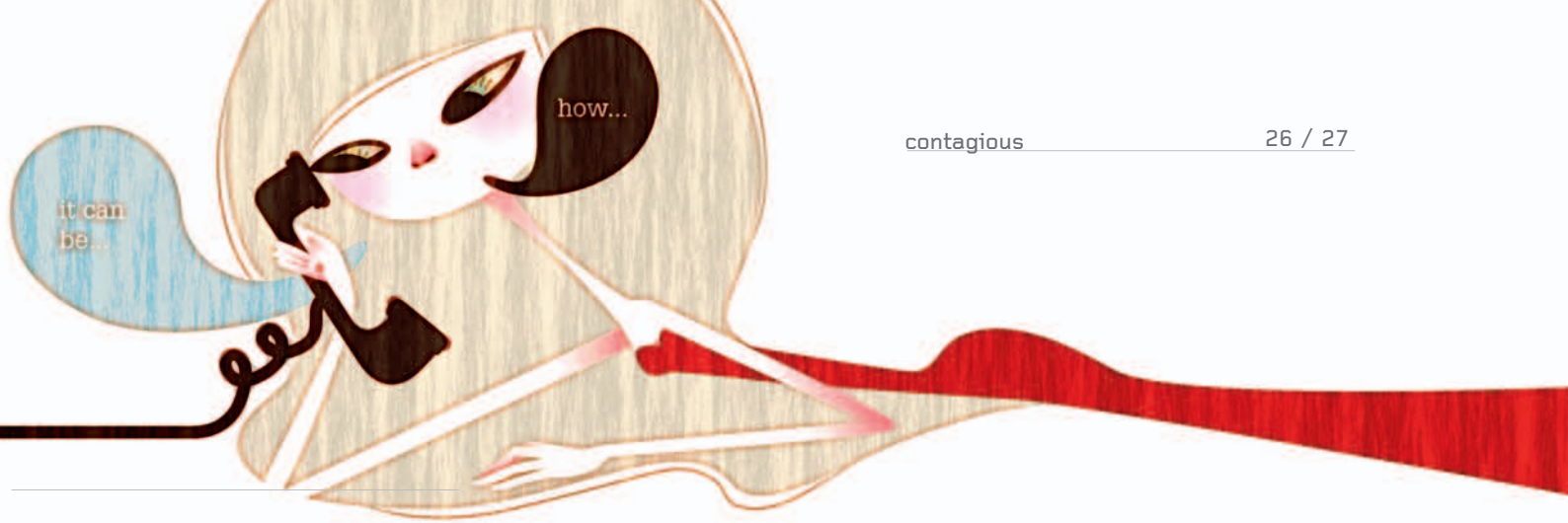


We're all aware that consumers have found a new, louder voice. With more choice and greater access to information – and each other – than ever before, they have greater control over how, when and where products reach them. They're playing an increasingly important role in developing those products, too. Peer-to-peer communication is marketing's new modus operandi.

But what's been less visible until now is how brands are using consumers to do the hard work for them. Consumers are now message carriers, inventors, designers and testers – and often don't yet know it. Businesses are connecting with consumers to find new ideas: this in turn leads to co-creation and co-marketing opportunities. And developing alongside these opportunities are a host of new, private, online communities that deliver rich rewards for the most active participants.

### The race to grow ears

We are entering a different world where business and consumer roles converge, argues C. K. Prahalad in *The Future of Competition* (Harvard Business School Press, 2004). Triggers for this convergence include the proliferation of broadband and the emergence of new web-based technologies such as instant messaging, video chat and blogs.



Managers of people and brands are spending big budgets on observing, listening and sometimes joining in these online 'conversations'. A recent Price-WaterhouseCoopers white paper, *How Consumer Conversation Will Transform Business*, quotes John Hayes, CMO of American Express: 'Consumers are in the midst of a conversation that isn't ours. The race is on to grow ears to learn what they are saying.'

An early lead in that race has already been taken. Huge investment is being made in social computing technologies that can structure and translate free-form conversations into tools and metrics for business to use. As Forrester Research puts it, this creates 'a social structure in which technology puts power in communities, not institutions'. Organisations with the right skills such as sophisticated data mining can now identify whispers from shouts – collections of thoughts and ideas that can lead to the next big idea – and turn them to their competitive advantage.

Companies that already provide these services include leading UK business Trampoline Systems, which works with, amongst others, Channel 4 and the Foreign Office and whose enterprise social computing software provides tools for employees to locate experts, connect and collaborate, and for managers to understand their organisation's informal networks.

A consumer brand has also appeared that taps into the social computing phenomenon. Zopa is a peer-to-peer money-lending service which acts like an online bank. Allowing consumers to go straight to the marketplace removes the need for them to negotiate with the middle men, in this case the banks. By using key technologies, Zopa can analyse its users' behaviours to identify and reduce critical risk.

Ultimately, companies like this offer the ability to harness social behaviour: creating software and technology that capitalises on human instincts instead of disabling them. Applied, this will allow

business to locate experts in a field, and then engage and collaborate with them. By using these smart data-mining services, brands can better understand where intellect and ideas are located, and how ideas and knowledge flow around consumer and workforce communities.

#### Converse and collaborate

To be a winner in the Conversation Economy, brands need to establish robust frameworks for consumer participation as well as appropriate social, emotional and financial rewards that incentivise collaboration. After all, it's not just time that consumers are giving, it's intellect, creativity and, in some instances, their livelihood.

Successful internet-based businesses such as clothing company Threadless, software developer Cambrian House and electronics manufacturer CrowdSpirit have all recognised this opportunity and established future-focused business models around it. Another business that makes use of and rewards talent outside its own four walls is recently-launched US crowdsourcing business co.labr8 – now called Share Your Brain. Two consumer groups exist within co.labr8's model – the user requesting an idea (often a business) and those supplying the ideas and solutions. Imagine being able to ask an enormous room of people what they think your next product range should be, or what campaign you should run. The internet enables the community to vote on the individual ideas, quickly. Contributors get to share benefits that range from kudos and profile to cash and prizes.

Although online communities are proficient at generating and vetting new ideas, they aren't always the best resource for developing and getting them to market. In the case of Cambrian House, an editorial review team applies strict quality control guidelines throughout the process. This professional/amateur movement has seen success elsewhere, too. L'Oréal recently dipped its toe in co-creative waters in order to develop a new advertising concept for its High Intensity Pigments product range. Consumers

from all over the world were invited to submit ideas to Current TV – a digital TV channel and social network where viewers can create and upload five-minute media segments, post comments and rate other clips – adopting strict guidelines (see *Birth of a Brand*, page 60). There's your structure. The winner, someone in Hawaii simply known online as SpicyTuna, was awarded \$1,000 for their effort. There's your reward. Good value for L'Oréal, when you compare it to \$164,000 – the going rate for the advertising production of a basic 30-second ad – and clearly enough to motivate the crowd.

#### Making the smart people work for you

Using the general public, or a private network of individuals, as a source for new ideas and marketing is often labelled 'open innovation'. The movement's guru, Dr Henry Chesbrough at UC-Berkeley, describes it as 'the use of purposive inflows and outflows of knowledge to accelerate innovation'. **By drawing the brightest minds into the process, a business can greatly increase both the frequency and speed of idea generation. Secretive, white-coated ideas-lab boffins have been replaced by communities with shared interests and ideas to share.**

Of course, open innovation can also thrive when employers tap into employee networks. 'Not all the smart people work for us,' acknowledges Chesbrough. 'We need to work with smart people both inside and outside the firm.'

Recognising precisely this issue, IBM's visionary CEO, Samuel Palisano, stumped up \$100m dollars to back the InnovationJam – a proprietary platform for new ideas from a community consisting of over 150,000 staff, friends and family in 104 countries – and develop 10 new future-focused businesses. Consider it a brainstorm without boundaries. Its purpose was core to IBM's business objectives: to identify new market opportunities and solutions that enhance the wider community.

Key to the success of IBM's initiative was the way it structured the community's

conversations under categories: 'Going Places', 'Finance & Commerce', 'Staying Healthy' and 'A Better Planet'. IBM also scored highly by effectively managing people's time – focusing activity in two distinct 72-hour phases. Clear guidelines for when the community should and shouldn't access the platform were enforced in a way that managed to be both informal and efficient.

InnovationJam generated some 46,000 new ideas through online discussion and debate, leading to a range of new initiatives. One of the most impressive was IBM's Big Green Innovations initiative which concentrates on water management in response to growing concerns over the impact of climate change on low-lying coastal regions. The Big Green team has, amongst other things, helped to establish a technology-based observatory system to allow for minute-to-minute monitoring of New York's Hudson River. The community and a panel of IBM experts are continually monitoring and filtering through the vast number of fresh ideas, as well as the data supporting them being 'mined' for themes and insights.

#### Social business: the challenges

With Bebo recently sold to AOL for £417m (\$850m/€540m), we know now that a business value can be placed on social networks. Less obvious at this stage is how social computing technologies will be used to solve specific business problems. *The industry's biggest challenge is to rapidly harness the skills and technologies that are needed to grow and manage high value private online communities, and so turn their members into the future innovators.*

For example, it's only now – after social computing and mass collaboration have demonstrably streamlined the process of innovation and embedded the consumer deep in the heart of that process – that the impact of these two movements on areas like customer service and relationship management is beginning to emerge.

Just when we thought we'd heard the last 2.0ism, BT, the telecommunications service provider Brits love to hate, is

emerging at the forefront of what is being referred to as Customer Service 2.0. BT's Beta team is developing a series of tools that enable its customers to serve themselves, increasing convenience and reducing business costs. What's more, BT is bringing together its customers' expertise and experience to create powerful technical problem-solving communities and tools. Launched in 2006, BT's Hubbub help forum has been developed for those without experience of technical chat forums. By tapping into its customers' knowledge, and working with existing support structures, technical issues are quickly dealt with and learning is shared. Hubbub may be early-stage but it resolutely points towards the future.

#### React and reward

How will both sides of the consumer / brand equation continue to extract worth from these deeper relationships? That's as yet unknown. But one thing that has grown in importance, and value, is the gold in the brand owner's bank – consumer advocacy. *As one of a brand's most valuable assets, advocates must be looked after and constantly rewarded for their active participation. Indeed, brands would do well to replace their favoured word 'benefit' with 'reward' and place more emphasis in the relationship with the consumer before the product hits the shelves, not just after.*

At Dub we still believe passionately that 'none of us is as good as all of us', but we realise that communities only function and flourish given the right conditions. The younger generation – the early adopters of mass collaboration – are being rewarded for participation with a 360 degree experience and this will continue long into the future. Social computing is shaping our society and the way we do business. Only by building the right environments for these technologies and behaviours to exist within – environments that are both structured and rewarding – will consumers continue to share their thoughts, ideas and a whole lot more with the brands and businesses that matter most to them. ☘

*Stephen Cribbett is founder of Dub, a business that builds private online communities for insight and innovation*  
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