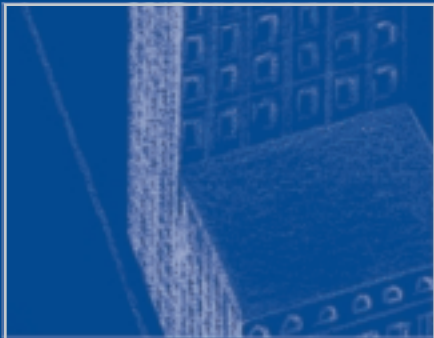


THE COMMUNITY FACTOR



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JONATHAN B. SPIRA
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OVERVIEW

Most leading e-commerce companies are not taking full advantage of the opportunities which community programming might bring. At the same time, we believe that traditional community applications, such as message boards and chat rooms, are generally not effective at creating consumer value or driving purchases. Still, community has a place at the e-commerce table: a new community model — Communities of Reliance — offers the best paradigm for e-commerce companies to create strategic, valuable community programming.

About The Community Factor

Basex examined 40 top e-commerce companies to determine whether and how e-commerce companies are implementing community programming today on their web sites. Basex chose the 40 sites based on a compilation of both public and proprietary information, including online sales, consumer attitudes, and Basex' judgment of who is doing important or innovative work in online commerce. The sites include business-to-consumer and business-to-business players and cut across many categories, including computer hardware and software, apparel, general merchandise, discount offerings and auctions.

Key Findings

- One quarter of sites surveyed offer traditional message board-type communities
- Recent closings of traditional community sections in e-business sites point to the lack of clear strategic value of traditional community programming
- Communities of Reliance is the new framework for successful commerce community programming
- Of e-commerce sites studied, 25% are currently implementing Community of Reliance programming

Industry Overview

- Community programming breaks down into five major categories: identity, communication, content, reliance and marketing
- 75% of companies studied offer membership apart from purchasing, in an effort to create a community-like relationship with their customer
- Currently, 50% of companies studied use communication community applications, most for live customer support; 25% offer message board areas
- 30% of companies use community-generated content

Recommendations

- e-Commerce companies should analyze the strategic value of community programming and implement it only when there are clear metrics of success
- Communities of Reliance can create real value for your customer and create positive ROI

KEY FINDINGS

Community programming has been a much-hyped part of Web programming for many years. Books like “Net Gain” and articles published in trade and popular press have preached that community paradigms are the key to success in e-business. However, many executives have not had a clear understanding of what community programming is or should be. Further, companies have implemented traditional online community programming, such as message board areas and chat rooms, without a strategic plan for how such applications will add value to the customer or result in a positive return on investment for the business.

Recent announcements from companies including AltaVista, Deja.com and the Children’s Television Workshop bear out this point. All three companies have discontinued their message board offerings because they were not adding to the core strategy of the companies.

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800.com	iExchange.com
Amazon.com	Ingram Micro
Barnes and Noble.com	Intel
Borders	J.C. Penny
buy.com	Lands End
CDNow	Mercata
Charles Schwab	Micro Warehouse
Cisco Systems	more.com
Continental	MotherNature.com
Coolsavings	Northwest
Datek	Office Depot
Drugstore.com	Outpost
eBay	Peapod
Egghead	Pets.com
eToys.com	PlanetRX
Expedia.com	Priceline.com
Fashionmall.com	Sun Microsystems
Fogdog Sports	Tower Records
Gateway	Travelocity
IBM	uBid

Jonathan B. Spira, Basex' Chairman and Chief Analyst, founded Basex in 1983. Jonathan is one of the industry's recognized leading analysts and a pioneer in the fields of Knowledge Management and Online Communities, and he directs all Basex research and analytic activities. He is a founding director of the Association of Internet Professionals. He is frequently asked to speak on the future of technology, has authored hundreds of papers on information and knowledge management, among

other topics, and has chaired several worldwide conference series in areas related to his research. Jonathan is a graduate of the University of Pennsylvania.

Macdara MacColl, Basex' analyst-in-charge for Communities, is a pioneer of online community building. She spent four years at iVillage, where she built Parent Soup's Web community and served as the site's managing director. Under her creative leadership, Parent Soup received many awards, including Yahoo Internet Life 5-Start award. As iVillage's Vice President of Member Services and Marketing, she developed and implemented iVillage's member initiatives, including member acquisition and retention, and led community programming and network service development. She frequently speaks about online community programming, including serving as a panelist for MCI's Safe Surfing Workshop series and speaking at the White House, where she shared the podium with President Bill Clinton, Vice President Albert Gore and Louis Gerstner. Macdara also serves on the Markle Foundation's Email For All advisory panel.

Charles Canning-Smith, Basex' analyst-in-charge for Knowledge Management, also contributed research to this study.

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About Basex

As one of the leading technology industry analyst firms, Basex provides a wide range of research, advisory, analysis and intelligence services to New Economy senior management. Founded in 1983, Basex is one of the few analyst firms with a truly global focus, with two European offices in addition to its headquarters in New York's Empire State Building. Its unique capabilities and resources help companies make intelligent business decisions, while offering unparalleled insight on how new and emerging technologies are impacting their business strategies.

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