

The Deloitte logo, consisting of the word "Deloitte" in a white, sans-serif font with a small yellow dot at the end of the word. The background of the slide is a dark blue space scene with a view of Earth from space, showing city lights and a starry sky.

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The 2008 Tribalization of Business Study

Achieving Transformational Change Through Online Communities and Social Networks

Overview of Select Findings

Audit • Tax • Consulting • Financial Advisory

About the Tribalization of Business Study

- This study was conducted in conjunction with Beeline Labs, and the Society for New Communications Research.
- We employed an online methodology among **100+ companies that have created and maintain online communities**
- **The communities ranged from fewer than 100 member to more than 10,000 members**
- **Company revenues ranged from under \$1 million to more than \$40 billion**
- **In addition to an online survey, we conducted in-depth interviews of select respondents.**
- We will conduct the next study in early 2009 to determine trends.

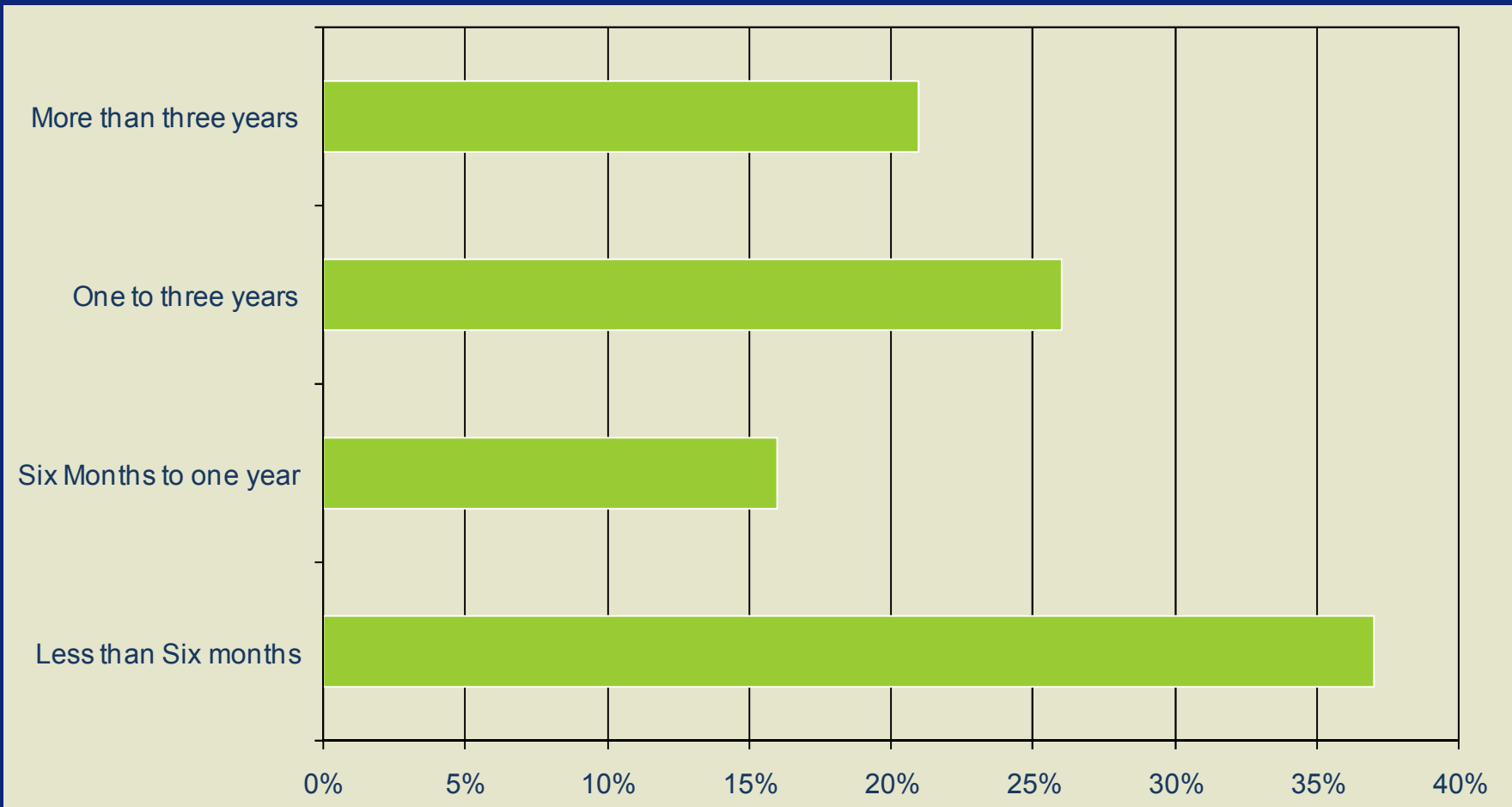
Participating companies included:

- Leading computer manufacturers
- Leading computer networking companies
- Leading life science companies
- Leading automotive companies
- Leading consumer packaged goods companies
- Leading software companies
- Leading insurance companies
- Leading online auction companies
- Leading hotel chains
- Leading media and information companies
- Well-known startups

Why Online Communities are Important

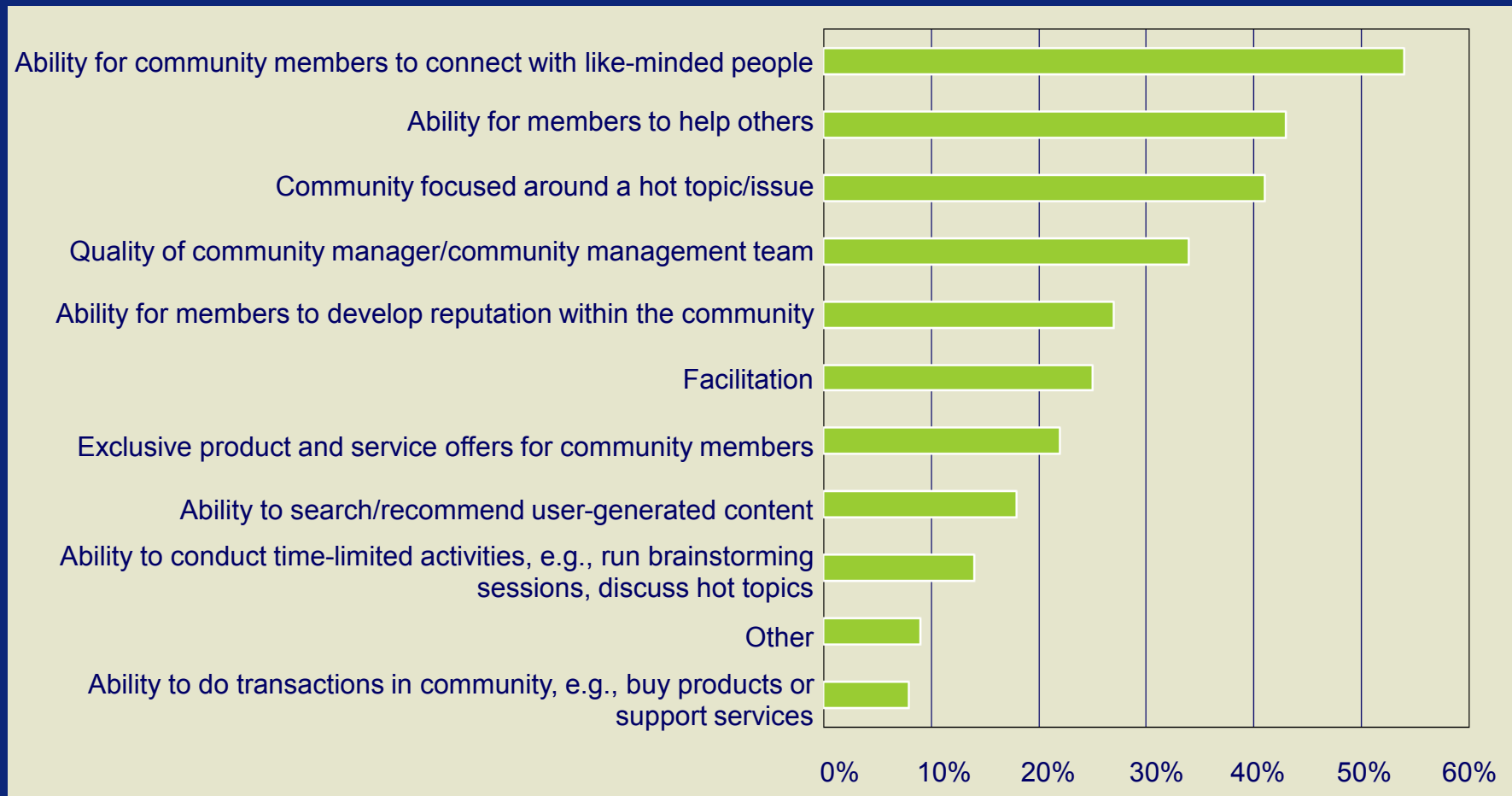
1. Communities Recruit, Entertain, Create Content and Police Themselves
2. Enhance and Differentiate Brands
3. Directly Help Customers Achieve their Business Goals
4. Contribute to Business Development and Customer Service Relationships
5. Provide Intelligence for Product and Service Offerings
6. Assist with Recruiting and Retention

A New Challenge: 80% of Communities Studied Have Only Been Around 3 Year or Less, and the Majority Have Existed for Less Than One Year...



Q. How long has your community been running?

Connecting with Like-Minded People Around Passions/Pains Makes Communities Work...



Q. What community features are contributing the most to its effectiveness?

Tribalization of Business Data, Observations and Likely Outcomes:

Rise of business communities driven by several factors:

- Majority of consumers now are connected via Internet
- New social media tools like blogs, wikis, bookmarking, profiles, have changed customer behavior and expectations regarding interaction with brands and companies
- Widespread participation in social networking provides consumers with platform for brand/product discussions and discovery
- Notwithstanding the importance of online search, personal recommendation is still a top driver of website traffic and online behavior

Observations and Likely Outcomes:

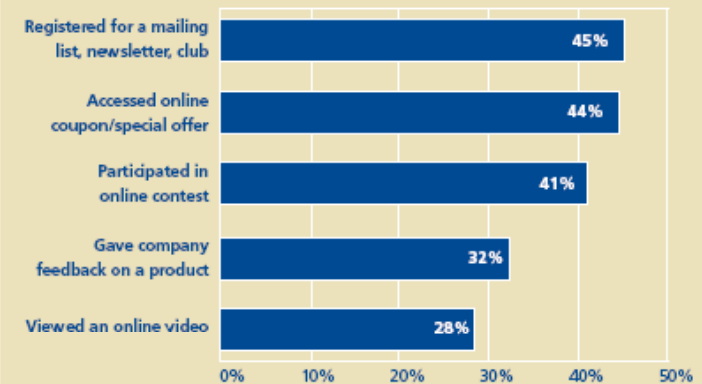
1. The rise of online communities will recast the Chief Marketing Officer 's role.
2. Ideal structure and function of marketing, customer support, product development, HR and PR may have to be rewritten
3. There are significant gaps between community goals and what, in fact, is being measured
4. Clear strategies are emerging for the likelihood of success of online communities
5. Maximizing return from online communities may require management to think differently

Tribalization of Business Takeaway 1:

Community is not about Millennials socializing on the Internet, or Facebook and MySpace; it's about game-changing organizational transformation

- Communities are not just a B2C phenomenon; 47% of respondents use communities for B2B purposes
- New social media tools like blogs, wikis, bookmarking, and profiles have changed customer behavior and expectations regarding interaction with brands and companies. **Customers demand authenticity and transparency.**
- If done properly, the benefits of community are game-changing
 - People helping people is changing the dynamics of the traditional way of doing business, paving the way to a new platform for brand/product discussions and discovery
 - Communities help engage top prospects and influences purchase decisions
 - Communities provide insight into new features and opportunities, identify customer needs, and enable open innovation

Figure 1
Consumers have a lot of interaction with consumer product manufacturers' websites



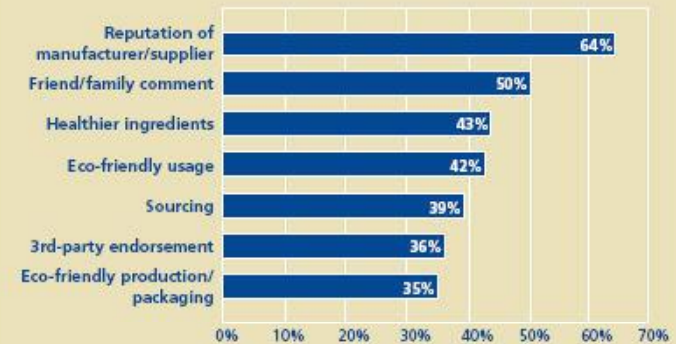
Source: 2007 Deloitte & Touche USA LLP Transparency Survey

Tribalization of Business Takeaway 2:

CMO 2.0: The CMOs office becomes the foundation of empowerment

- The role of the CMO is being revolutionized with the CMO becoming the lead transformative agent
- Ideal structure and function of marketing, customer support, product development, HR and PR are being completely rewritten
- In an increasingly complex and global world, communities will be important change agents; information from communities should be leveraged across the organization
- Marketing is responsible for driving the community according to 42% of the survey respondents; **Marketing is also driving non-traditional functions such as customer support, idea generation and employee communication**

Figure 2
Reputation is the most important influencer when deciding what product to buy



Source: 2007 Deloitte & Touche USA LLP Transparency Survey

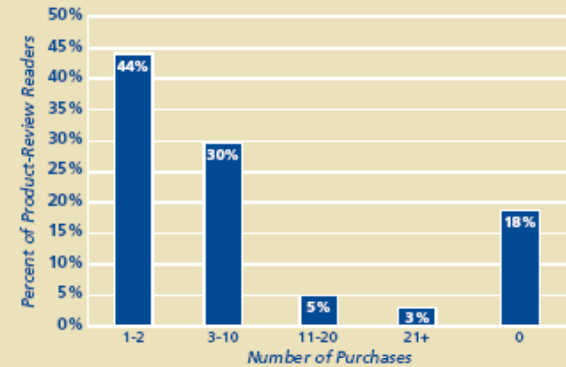
Tribalization of Business Takeaway 3:

Social media technologies help facilitate communities; however, these new tools and interactions may require management to think differently

- There are significant gaps between community goals and what, in fact, is being measured, and invested in
- Notwithstanding the importance of online search, personal recommendation is still a top driver of website traffic and online behavior
- Managers need to carefully consider the value derived by the community, and not only the value to the community's sponsor

Figure 3

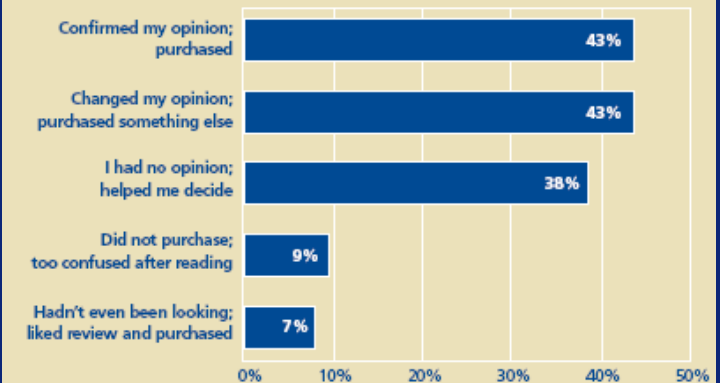
In total, 82 percent of product-review readers made a purchase



Source: 2007 Deloitte & Touche USA LLP Transparency Survey

Figure 4

Consumer reviews impact purchase decisions



Source: 2007 Deloitte & Touche USA LLP Transparency Survey

Social Networking/UGC: Internet Site Traffic Drivers

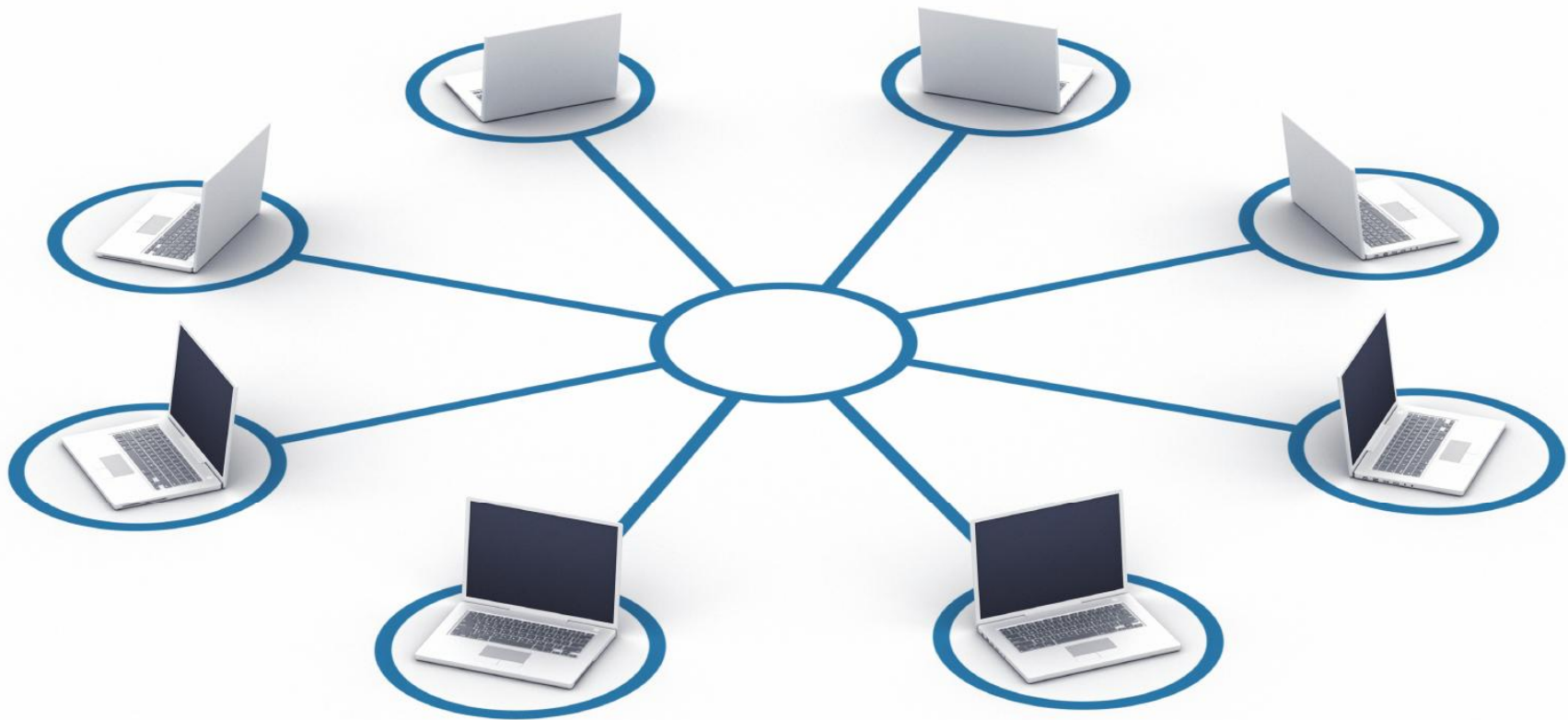
- Word of mouth is in a virtual tie with Internet search engines for driving traffic to websites, but a strong case can be made for all types of advertising
- Conscious efforts by advertisers to drive people to their websites appear to be working

| Internet Site Visit Influencers: Summary of Frequently/Occasionally | | | | | | |
|--|---------------------------|---------------------------|---------------|--------|-----------|-----------|
| | 1 st Edition % | 2 nd Edition % | Millennials % | Xers % | Boomers % | Matures % |
| Someone's recommendation | 81 | 89 | 92 | 95 | 85 | 81 |
| Results from using Internet search engines | 83 | 88 | 88 | 91 | 88 | 85 |
| Seeing an advertisement on TV | 63 | 81 | 82 | 85 | 79 | 78 |
| Seeing an advertisement in magazines | -- | 72 | 73 | 76 | 70 | 67 |
| Advertising I see at other websites | -- | 72 | 76 | 77 | 70 | 58 |
| Sales and product offers I receive in emails | -- | 68 | 62 | 73 | 70 | 70 |
| Noticing a product or service placed within television shows and movies that I watch | -- | 68 | 72 | 73 | 65 | 58 |
| Seeing an advertisement in newspapers | -- | 66 | 58 | 67 | 70 | 72 |
| Hearing an advertisement on the radio | 49 | 61 | 65 | 71 | 60 | 45 |
| Seeing an advertisement at a movie theater | -- | 44 | 63 | 54 | 33 | 11 |
| Seeing an advertisement in a video game | -- | 33 | 55 | 40 | 19 | 7 |

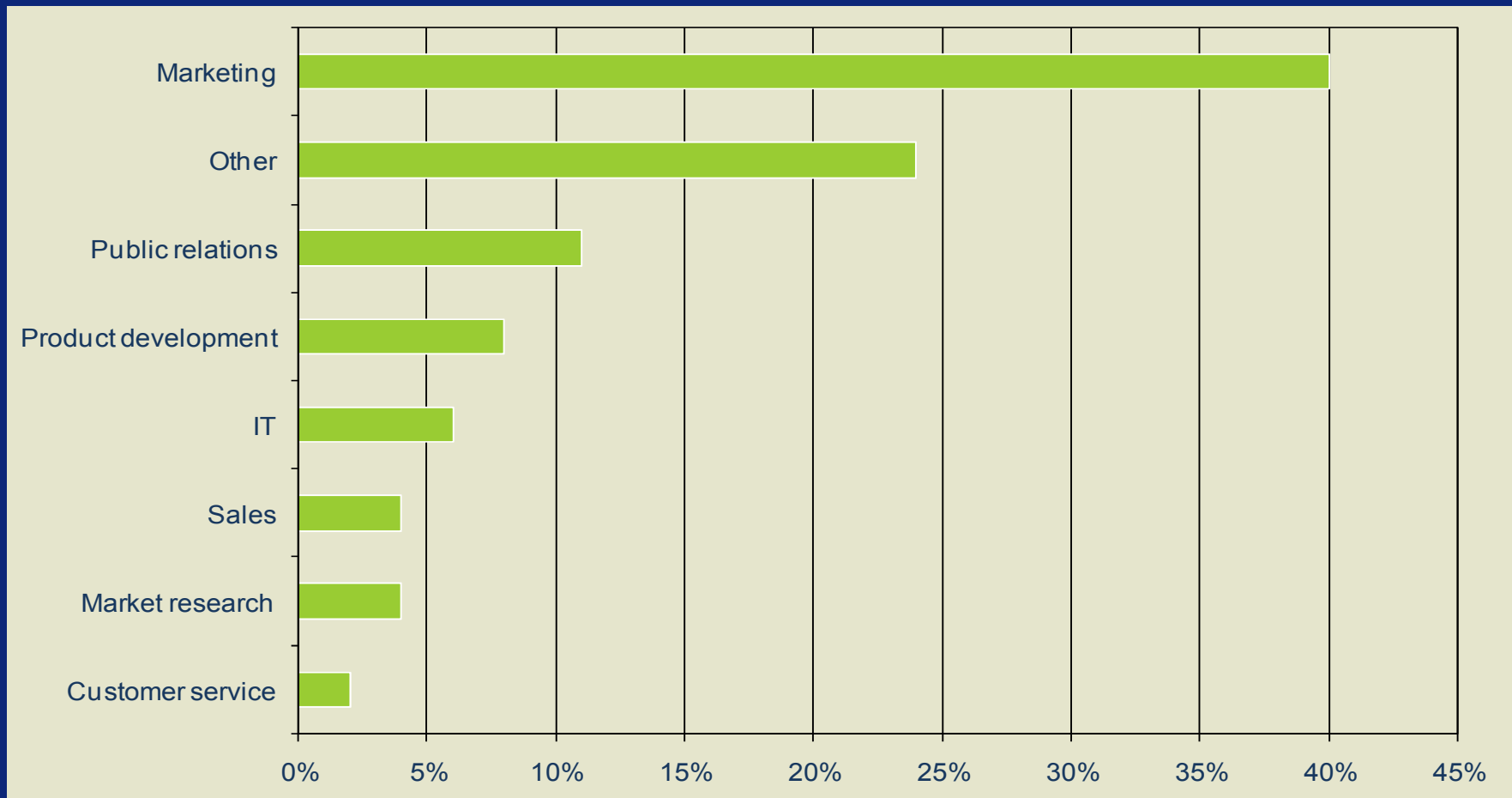
Legend

| | | | | |
|---|--|-----------------------------------|--------------------------------------|--------------------------------------|
| Trailing Millennials 13-18 Yrs Old • 1994-1989 | Leading Millennials 19-24 Yrs Old • 1988-1983 | Xers 25-41 Yrs Old • 1982-1966 | Boomers 42-60 Yrs Old • 1965-1947 | Matures 61-75 Yrs Old • 1946-1932 |
|---|--|-----------------------------------|--------------------------------------|--------------------------------------|

Let's Look at Operating Communities...

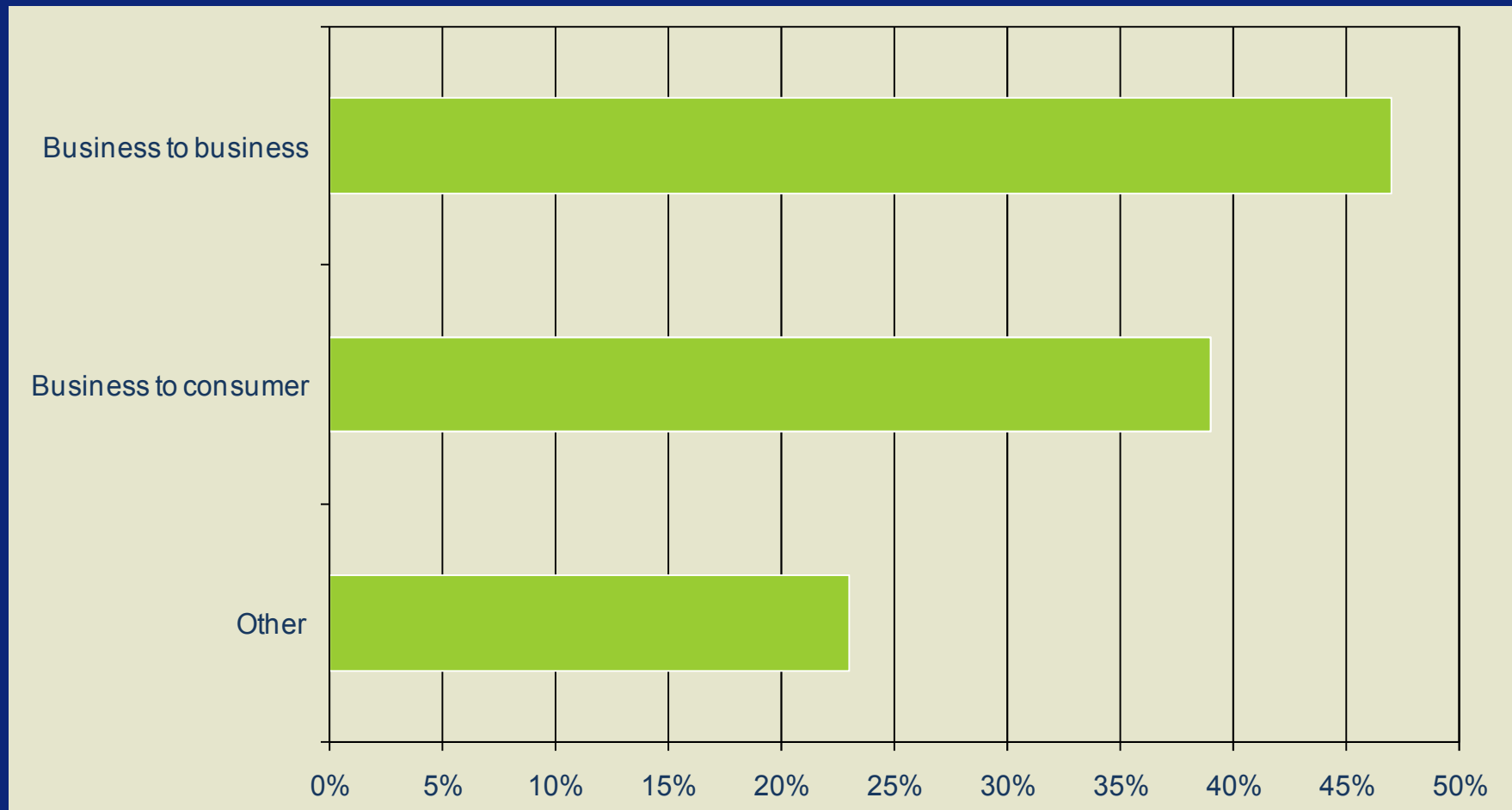


Marketing Typically Runs the Community Show...



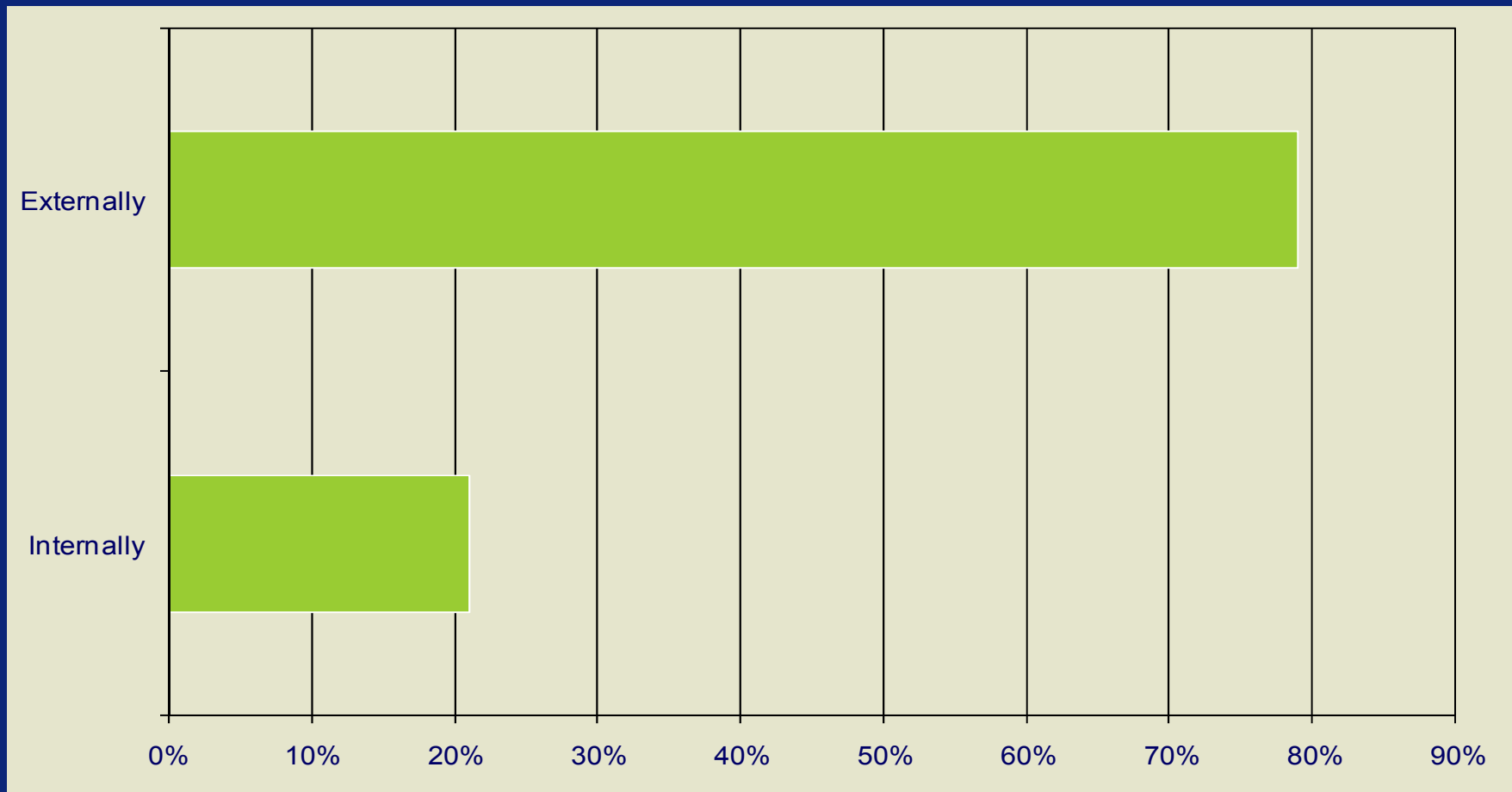
Q. Which department is responsible for this community?

Community Not Just a B2C Phenomenon...



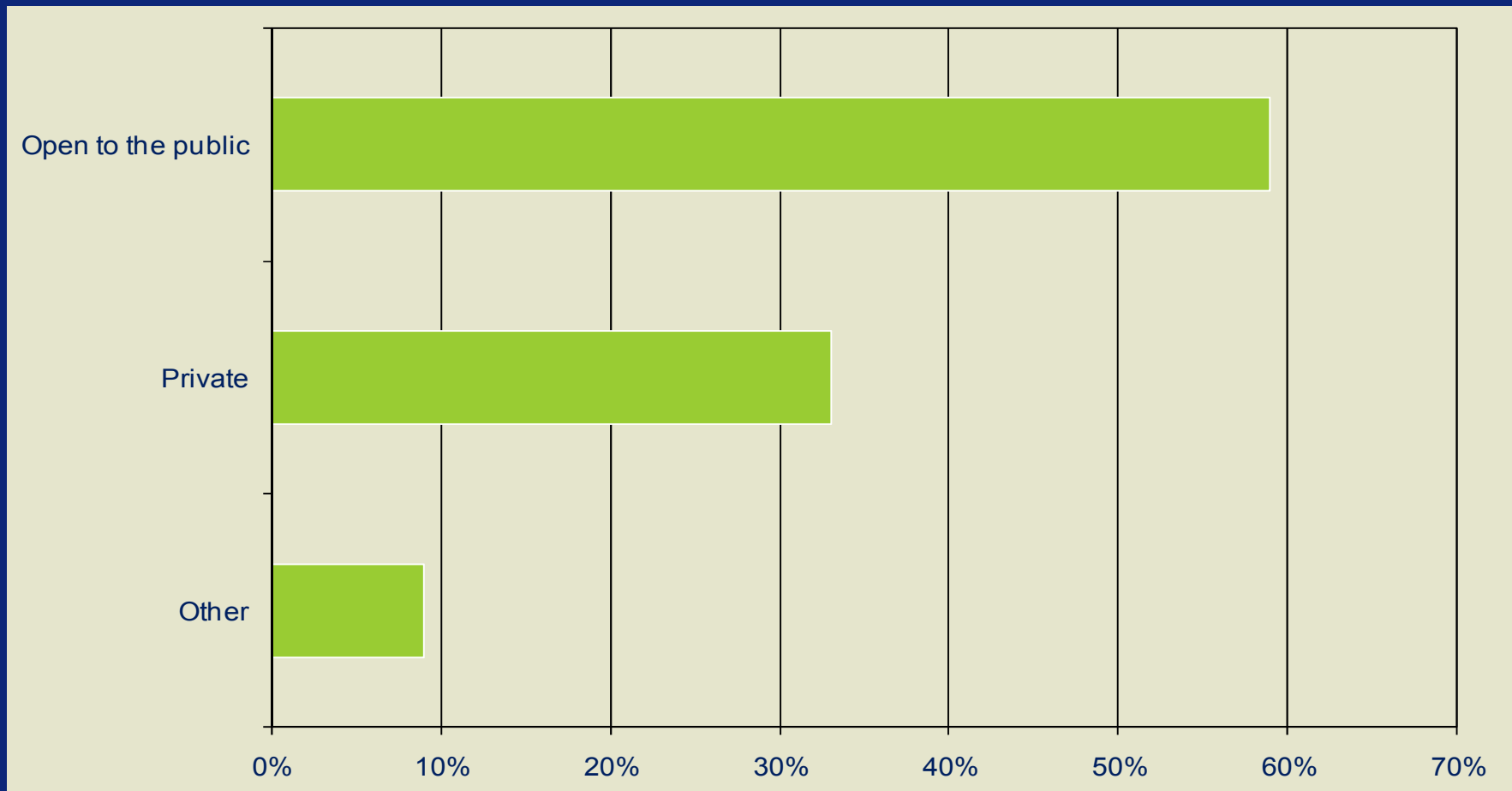
Q. My company is best described as:

Vast Majority of Communities Are External...



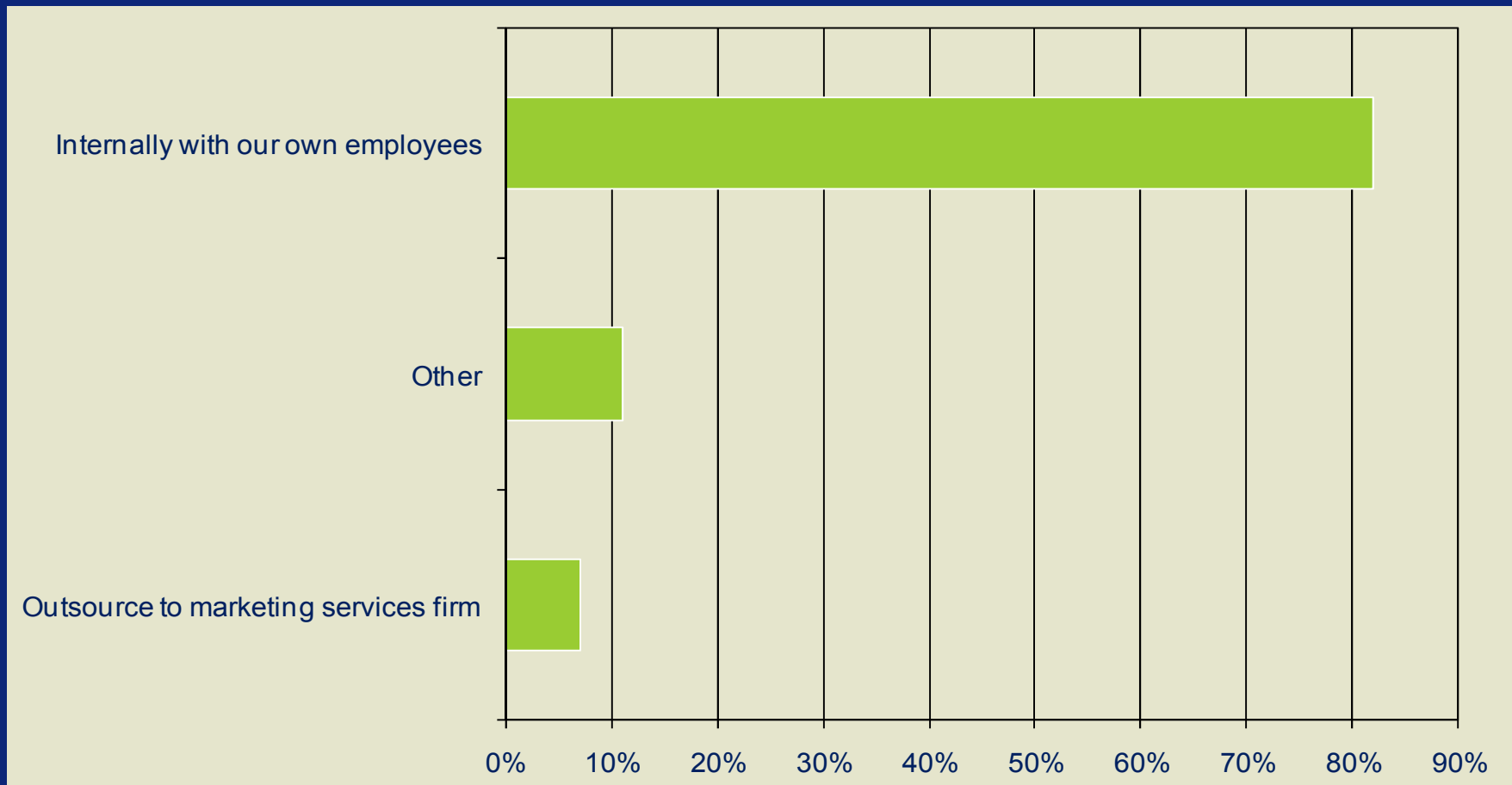
Q. How is your community focused?

And Public...



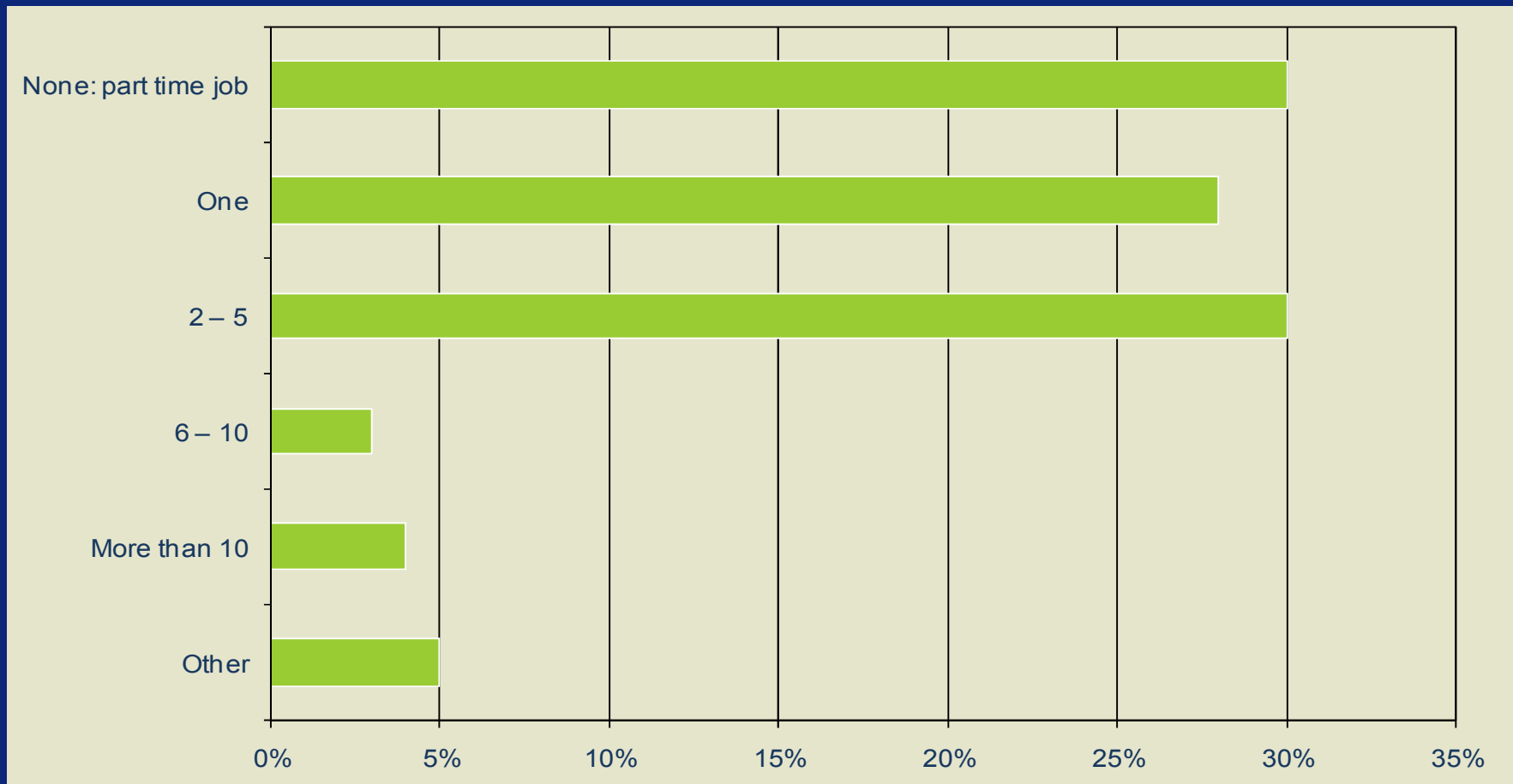
Q. Is the community:

Over 80% of Companies Use Their Employees to Run Communities



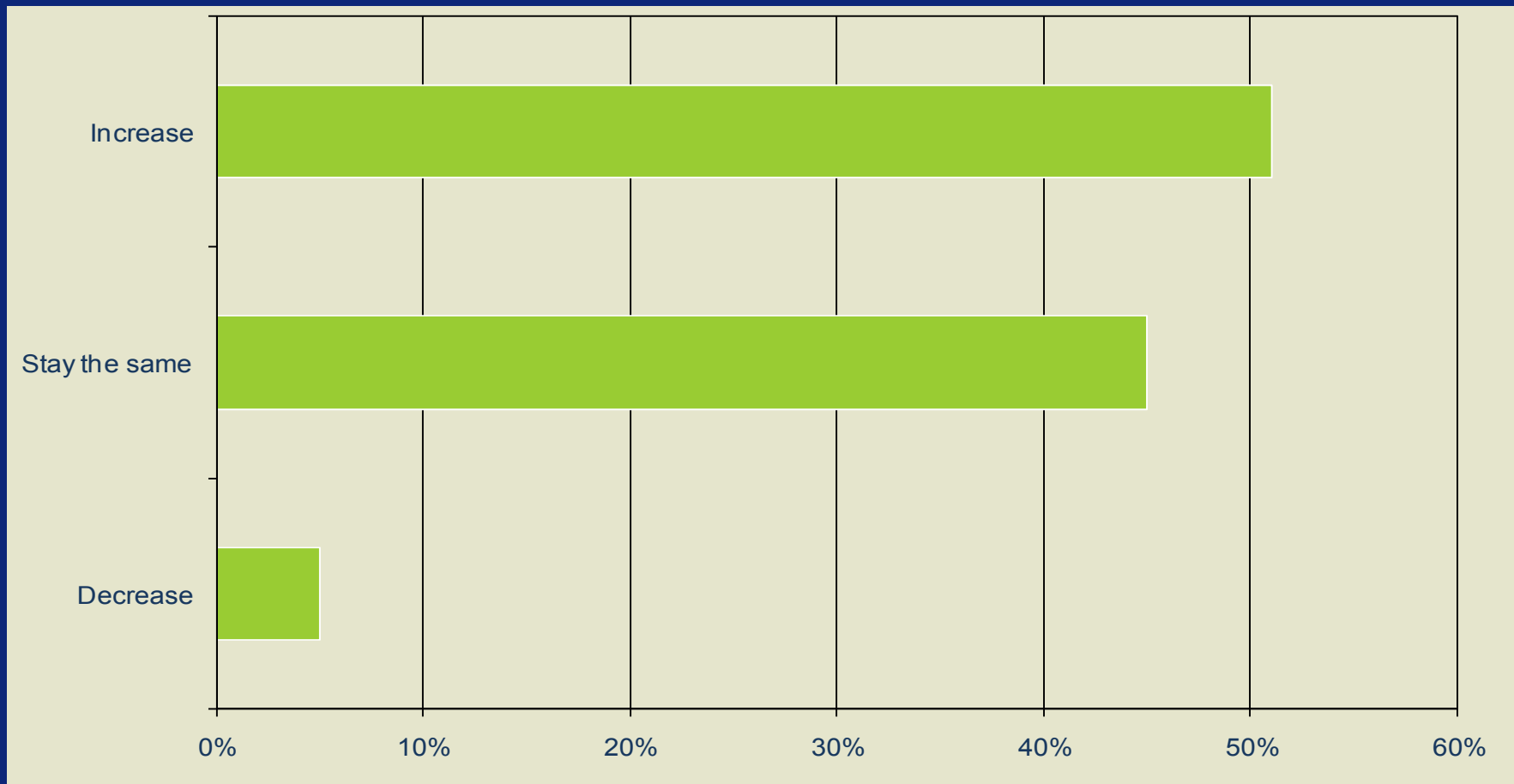
Q. How do you manage the community?

Large Minority of Communities Run as Part-Time Job



Q. How many full-time people manage this community?

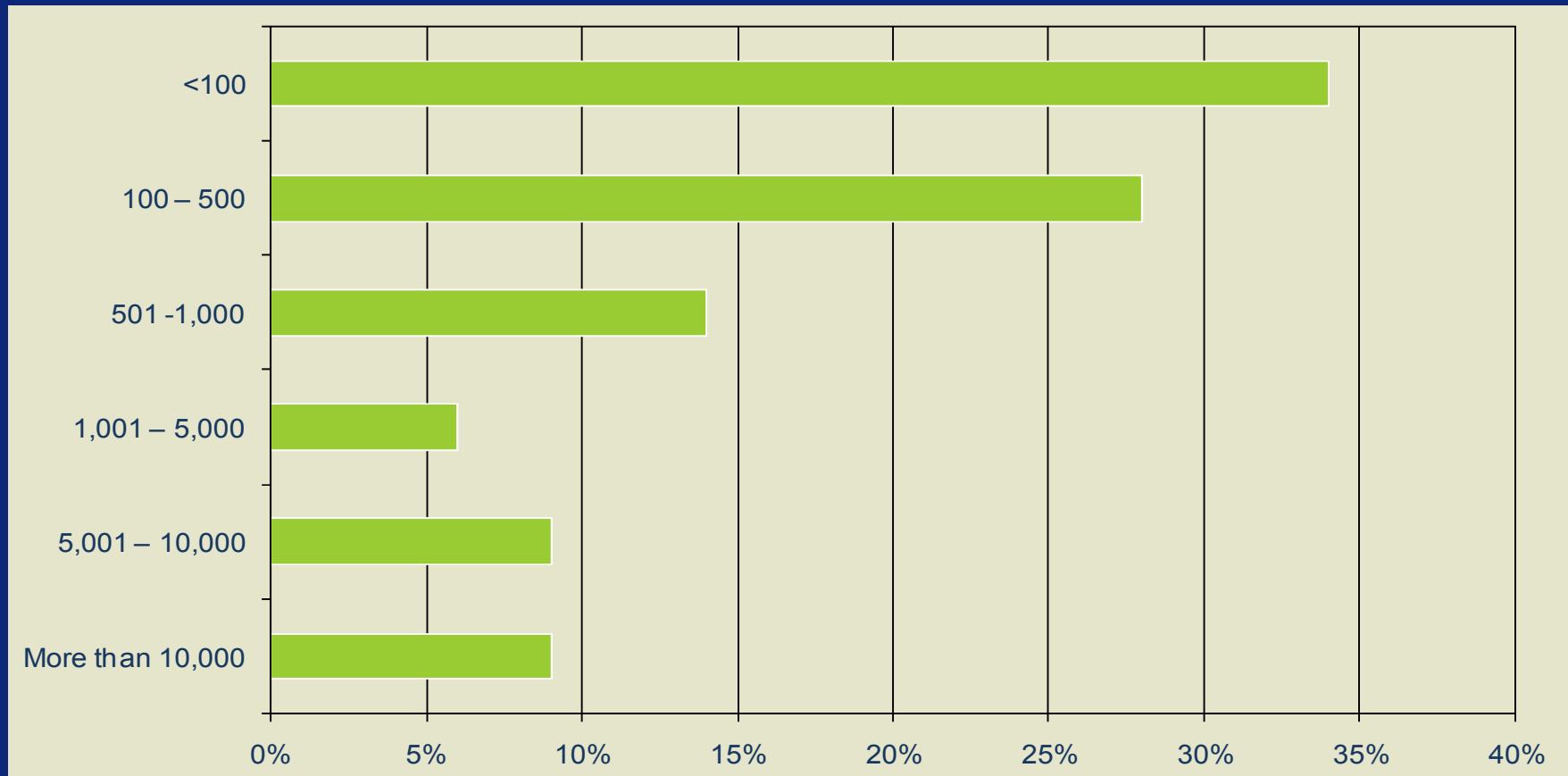
Only 5% of Communities Will Have Their Budgets Cut in the Next Year



Q. Over the next 12 months will your investment in the community:?

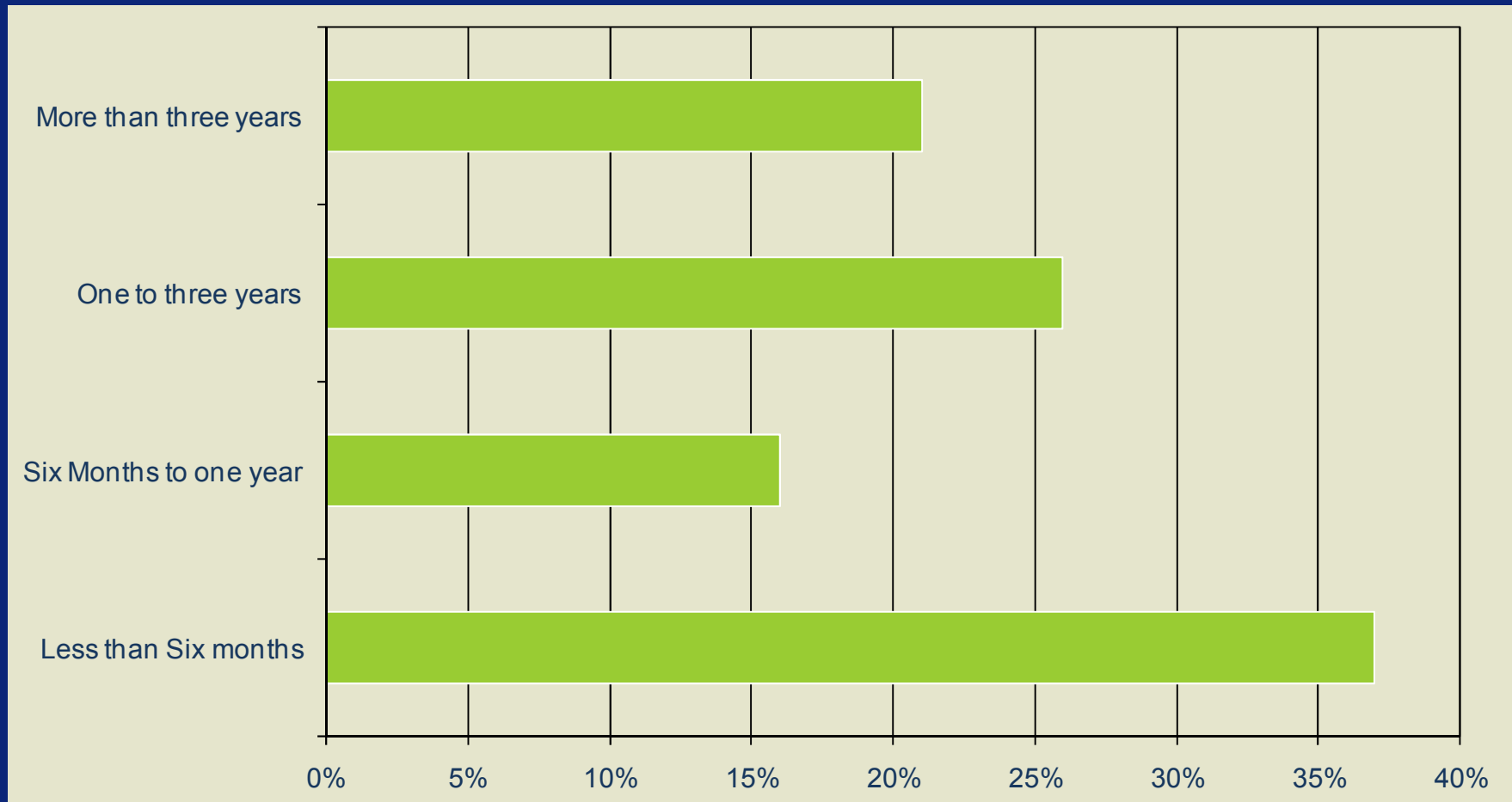
Majority of Communities Had Fewer than 600 Active Users...

But 11 companies have more than 10,000 active members



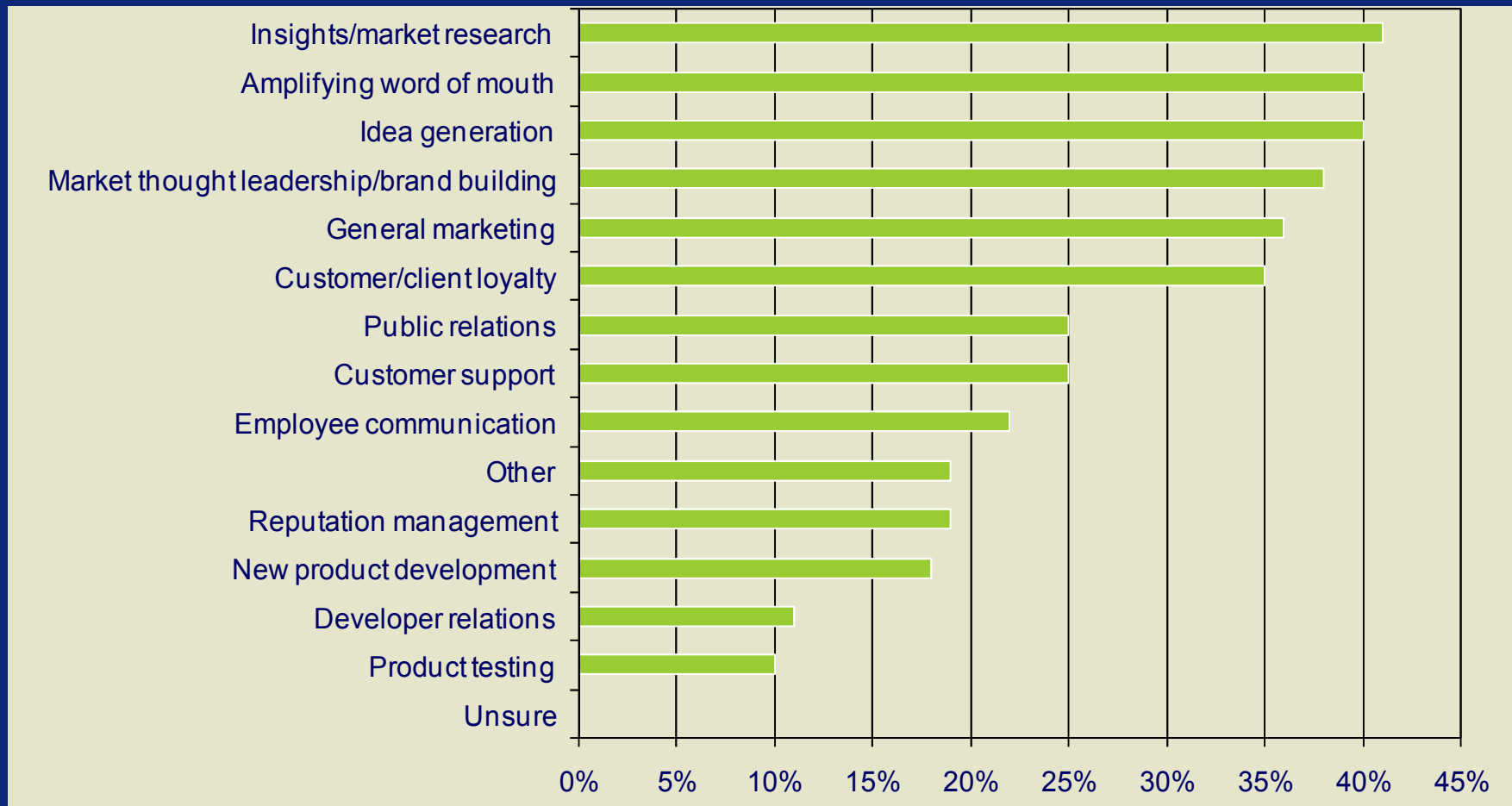
Q. How many active members do you have (people who log in at least once a week)?

Majority of Respondents' Communities are Fewer Than 3 Years Old



Q. How long has your community been running?

Marketing Purposes Driving Most Communities...



Q. What is the purpose of your online community?

But non-Marketing Business Objectives are Often Cited...



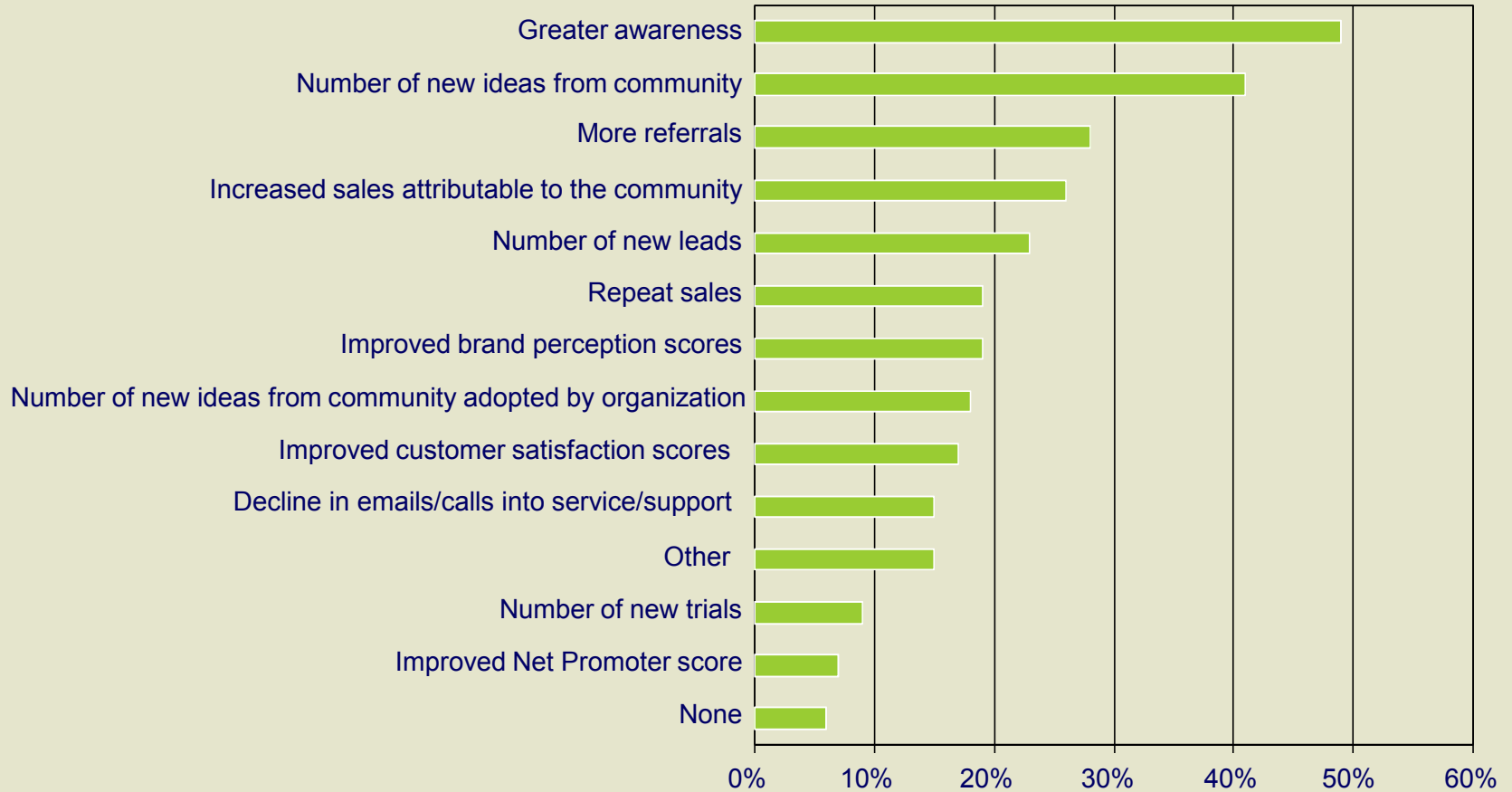
Q. What are your business objectives for this community?

The Community Features Contributing Most to Effectiveness...



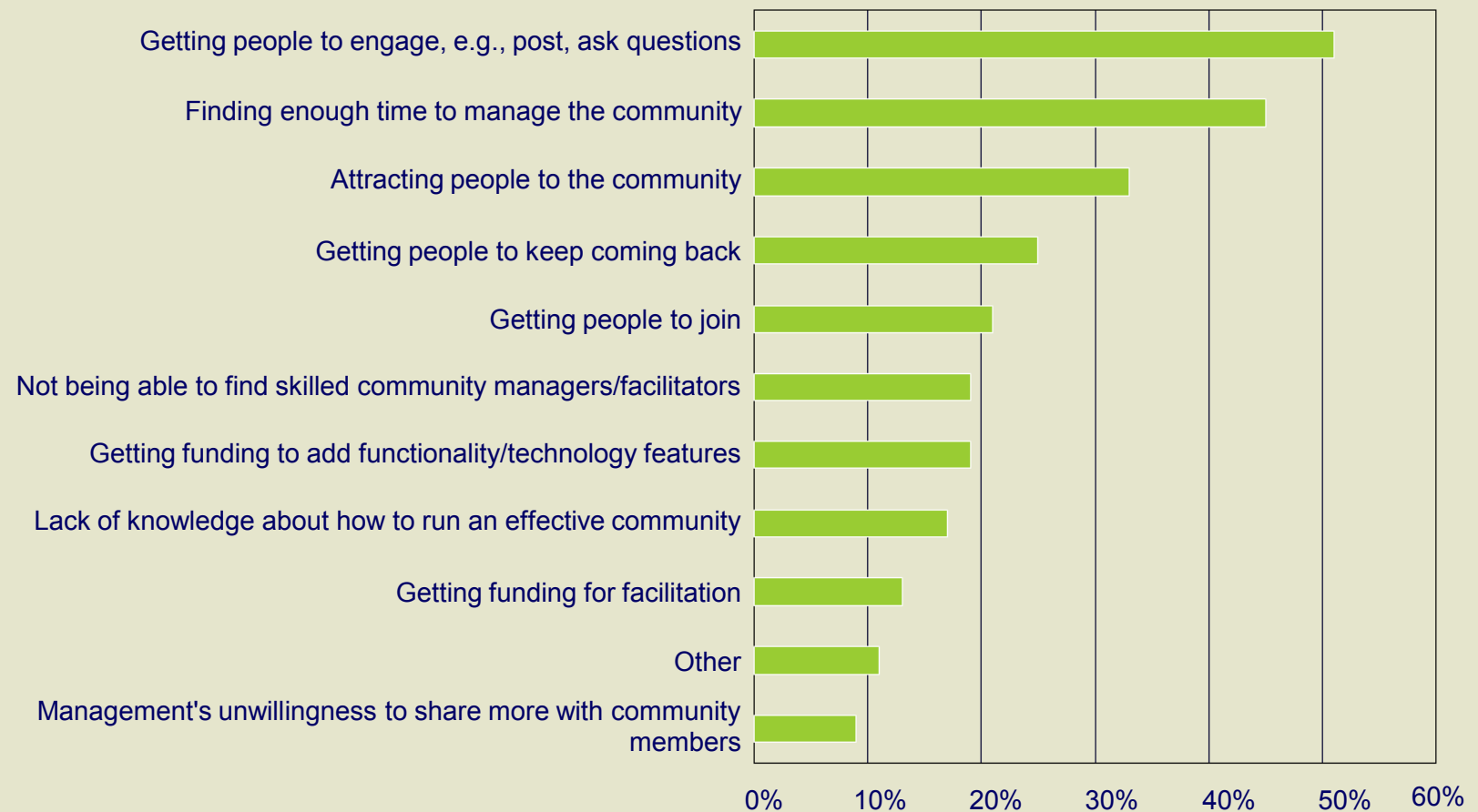
Q. What community features are contributing the most to its effectiveness?

Business Measures Used to Assess Community Effectiveness



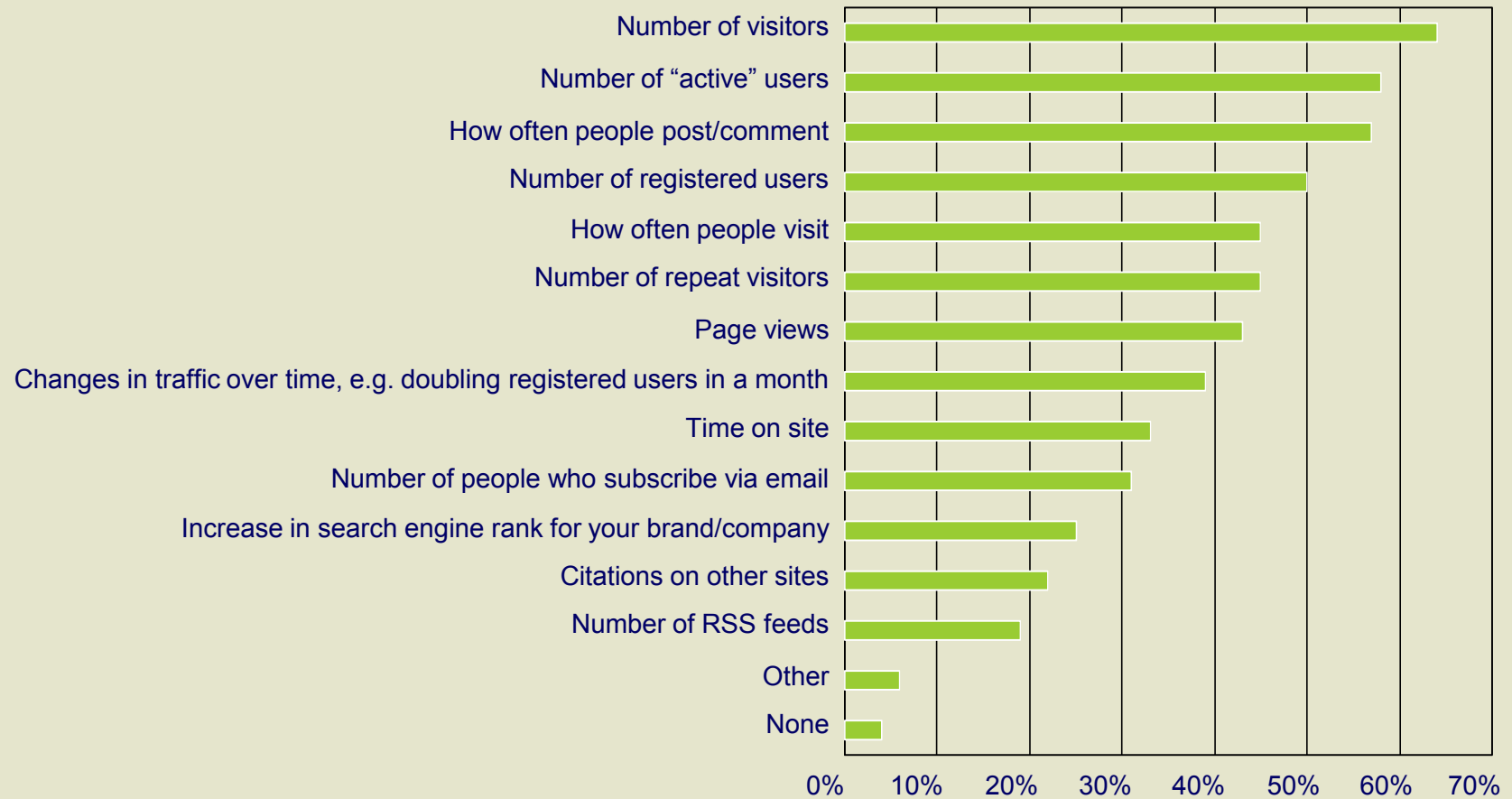
Q. What business measures are you using to assess the effectiveness of the community?

Greatest Obstacles to Community Effectiveness



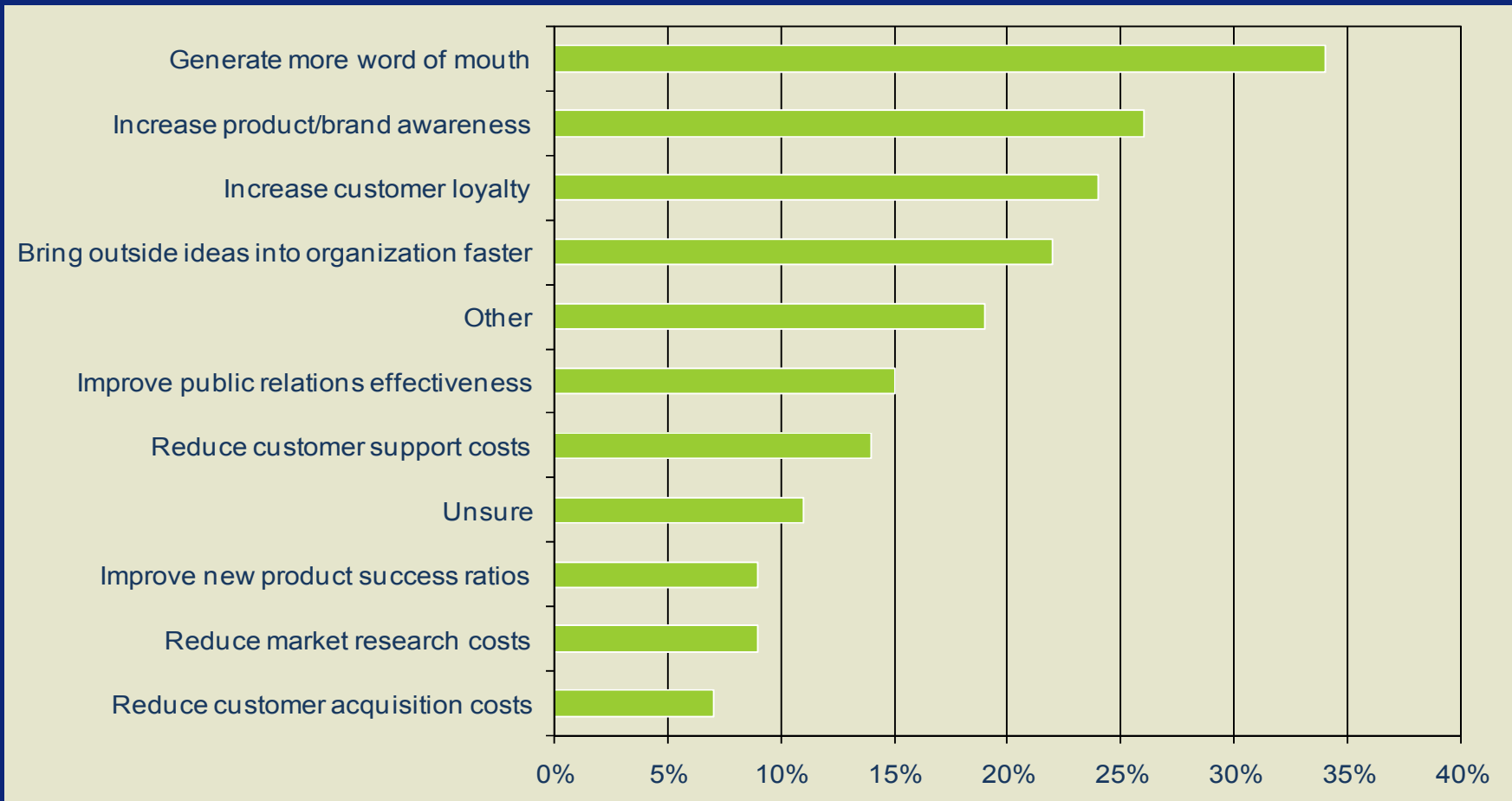
Q. What have been the greatest obstacles in making the community work effectively?

Web Analytics Used to Assess Community Effectiveness



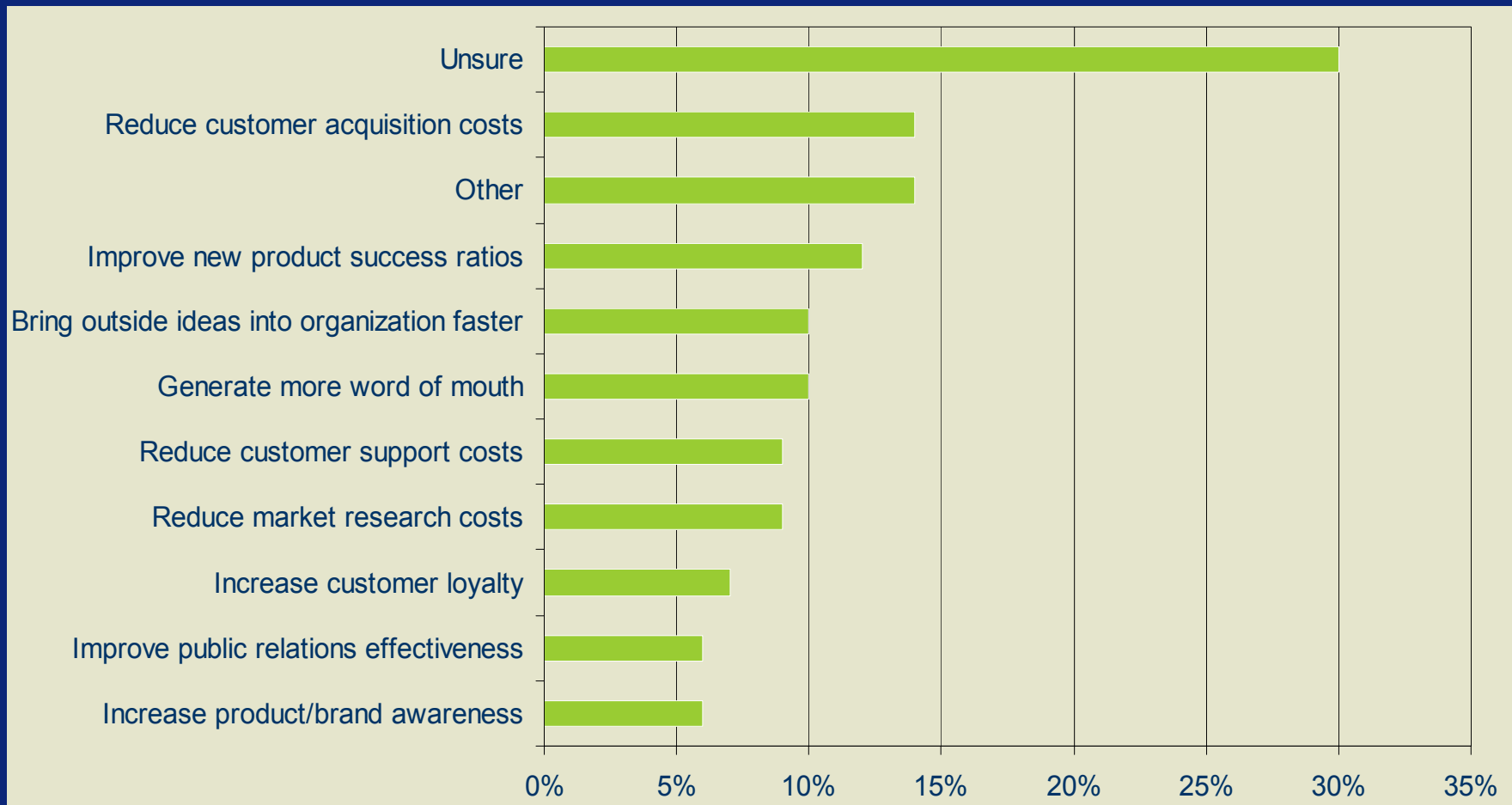
Q. What Web analytic measures are your using to assess the effectiveness of community?

Objectives Respondents Have Been MOST Successful in Achieving



Q. Which of your objectives have you been MOST successful in achieving?

Objectives Respondents Have Been LEAST Successful in Achieving



Q. Which of your objectives have you been LEAST successful in achieving?

Community Success Need Not Be a “Black Box”

- Is the focus hitting a pain, interest that people need help, want to give help?
- Understand the importance of the size of your addressable community
- If you do not have critical mass – perhaps you need to invest in professionally developed content

Best

- Clear goals + purpose
- Right talent
- Commitment + time
- Topic engenders passion
- Social + communal

Worst

- Start with technology
- Marketing “campaign”
- Mixing business/consumer motives
- No facilitation
- Metrics vs. business measures

Learn more

For more information about these and other findings from the *2008 Tribalization of Business Study*, please contact:

Ed Moran

Director of Product Innovation

Deloitte Services LP

+1 212 436 6839

emoran@deloitte.com

Phil Asmundson

Vice Chairman and U.S. Technology, Media & Telecommunications Leader

Deloitte LLP

+1 203 708 4860

pasmundson@deloitte.com

Ken August

Vice Chairman and U.S. Media & Entertainment Leader

Deloitte LLP

+1 213 996 5686

kaugust@deloitte.com

Eric Openshaw

Vice Chairman and U.S. Technology Leader

Deloitte LLP

+1 714 913 1370

eopenshaw@deloitte.com

Press inquiries, contact Jonathan Gandal at jgandal@deloitte.com

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