



## BEST PRACTICES FOR INNOVATING IN A CUSTOMER COMMUNITY

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## EXECUTIVE SUMMARY

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Faster product cycles. More players. Global, around-the-clock operations. It all adds up to an ultra-competitive marketplace where innovation is the only way to stay ahead over the long term.

With so much pressure to generate new ideas—from product development to marketing—many companies are looking beyond traditional knowledge pools to gather insights and viewing innovation as an open, collaborative process. Nowhere is this attitude more evident than in the emergence of online communities, where companies can integrate customer insights and feedback into a continuous innovation loop.

Driving innovation through company-sponsored online communities requires a delicate balance of spontaneity and structure. In this paper, you'll read about the five best practices that can help you strike that balance.

“Today’s leading companies view business innovation as a strategic pillar of competitive advantage—an enterprisewide discipline quickly becoming as essential as marketing or finance.”

—Forrester, “The Rise of Innovation Management Tools,”  
Chris Townsend, July 14, 2008.

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## **THE ROAD TO INNOVATION IS BROADER THAN IT USED TO BE**

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For years, companies kept their innovation processes hidden, averse to the risk of intellectual property theft and marketplace copycats. It made sense. But times have changed. With the rise of the Internet, collaboration tools, and Web 2.0, the business world has begun to realize that there is more to be gained through sharing.

Many companies are reaching out to their customers, reaping a multitude of valuable insights into product features, usability issues, and demand. They're using customer perspectives to define their product roadmaps, hone breakthrough concepts, test strategic assumptions, and test new features. How do they do it? Many continue to use traditional marketing techniques, such as focus groups, surveys, and formal beta programs. But a growing number of them are looking beyond traditional channels to engage customers in new ways.

## **COMMUNITY: AN IDEAL VEHICLE FOR INNOVATION**

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Online communities offer a compelling new option for companies that want a better connection with customers. A quick glance at the terrain tells us that this idea is catching on. Company-sponsored communities are springing up across the board. Nike, Dell, and Adobe, to name a few industry giants, have all launched communities that strengthen their brands, generate excitement, and increase loyalty among customers.

But there's more to these communities than brand building and customer service. By drawing customers into the center of the enterprise, online communities let these companies draw insights from a deep, diverse knowledge pool and apply them to continuous innovation—whether it's building breakthrough products, refining existing products, reinventing a business model, or rethinking processes.

Consider Mozilla. The Web browser company opened its innovation process to the world at large by inviting programmers and users to its online community, Mozilla Labs. The community is designed to capture insights that could enhance the existing browser or even lead to the next breakthrough browser technology. It's a low-cost, low-risk starting point for ongoing discussion, and it creates a lasting bond with a large group of important netizens.

So, why are online communities so well suited to the innovation challenge? Because they:

- Engage customers online, where many already participate in social networking sites
- Provide a direct channel between a company and its customers
- Level the playing field, eliminating the hierarchical boundaries that stifle discussion
- Are always on, allowing insights to come from anyone at any time of day
- Are less expensive than focus groups, providing an outlet for ongoing conversation and feedback

## THE HARD WORK OF BUILDING COMMUNITY

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Online customer communities do not succeed automatically. There is no auto-pilot setting for innovation. It requires extensive planning to ensure that the community encourages participation and genuine engagement. And the planning can be challenging because it requires a new way of thinking about customers and their role in the enterprise. If you're looking to launch an online community, you must define and coordinate a multitude of factors, including:

- The structure and design of the community
- Customer participation
- Community and corporate culture
- Community management and moderation
- Future growth and direction.

The crux of the challenge lies in funneling all of these factors into a finely honed process—one that caters to the company's unique goals and target customers—and then assembling the organizational and technological structure to support it. It can be a daunting task. Fortunately, help is available through the wisdom and experience of the companies that have taken on the challenge.

What follows is a list of five best practices gleaned from communities that are successfully using crowd-sourcing, co-design, and other engagement strategies. These best practices can help you create and maintain online customer communities that are fine-tuned both to the goal of innovation and to the unique needs of your organization.

### BEST PRACTICE 1: BUILD A COMMUNITY WITH CLEAR GOALS IN MIND

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Like any other program, a community needs a clear purpose—not only for business justification purposes, but also for designing the best platform for the job. And it's best to be specific. A community designed to crowd-source product feature ideas will need a different structure (with different information and feedback mechanisms) than a community designed for beta testers.

The key is to start with a narrow and tightly defined scope—such as generating ideas for a specific new product—and then design the community's structure accordingly. Don't let limitations in the technology platform define the structure or scope for you. Technology is merely a tool that helps you reach your business goals and should fall in line behind your business objectives. Once you have a limited-scope structure in place, be prepared to let the community evolve through a combination of organic and structured growth.

And, just as your organization needs to focus on the community's goals, you need to make those goals obvious to your customers. A focused community provides a rallying point for members, bringing them together and motivating them to contribute. Without a clearly stated mission, users quickly lose interest in the site and trust in your organization.

## BEST PRACTICE 2: MOTIVATE YOUR MEMBERS

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Communities should create a sense of inclusion and momentum, inspiring members to participate in the innovation process. But you can't inspire what you don't understand. So take the time to learn about your customers—specifically, the customers that may be motivated to join your community.

In most communities, members typically fall into three categories: power users, participants, and spectators. Find out how the users in each category think, what interests them, and why they identify with your brand. It is particularly important to understand and maintain relationships with your power users. Why? Because keeping power users engaged is your best way to ensure a constant stream of relevant, compelling, and authentic content—which in turn will drive other members to adopt more active roles in the community.

Consider also that customers typically won't contribute something for nothing. They need compensation, which sounds expensive until you consider that Internet users are often motivated by a number of non-monetary incentives, including:

- Obtaining insider status
- Being recognized as an expert
- Gaining satisfaction from helping others
- Getting the opportunity to connect with peers
- Finding useful information for work- or purchase-related decisions

Giving members plenty of opportunities to reap these emotional and practical rewards will keep them coming back. Just be sure to recognize their contributions and report back on how their insights are being used.

## BEST PRACTICE 3: USE DESIGN THINKING PRINCIPLES

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Design thinking offers a method for solving problems with an emphasis on need identification, visualization, prototyping, iteration, and creativity. And all ideas are welcome. A design thinking approach—used properly in an online community—can foster a culture of innovation by establishing the ground rules, providing a clear and inclusive methodology, and setting the right tone for genuine dialogue. The methodology includes three phases: understand and observe; generate and prototype; and test and learn. Applied as a repeating cycle to an online customer community, these phases can serve as a guide for customer-centric, crowd-sourced innovation.

Design Thinking Phase	Community Manifestation
<b>Understand and observe:</b> Gather information and create empathy within the group, laying the groundwork for a productive exchange	Members post stories and share resources, forging new relationships and establishing a common understanding
<b>Generate and prototype:</b> Bring all options to the table and generate the first working models	Members post, vote for, and comment on ideas, making the best concepts rise to the top
<b>Test and learn:</b> Validate viable concepts and create multiple iterations in rapid cycles	Members rate the value and workability of new products and features, making incremental fixes

## **BEST PRACTICE 4: BUILD A CULTURE OF OPENNESS**

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Successful communities are built on trust and personal relationships. So forget mass marketing, propaganda, and intrusive sales techniques. Instead, try direct engagement through genuine interactions. Answer questions candidly. Address negative comments with grace. And bring customers into the loop, establishing direct links between them and product managers. These steps will go far in convincing members to participate in the innovation process.

An open community may not come naturally to some organizations. The required culture shift can take months or years—or it may never happen, in which case the community may founder. But there are relatively painless ways to make it happen incrementally, with community as the first step. Communities, in fact, can act as a kind of cultural pilot program, demonstrating the benefits of openness and providing a powerful impetus for change throughout the organization.

Consider the following basic principles as you open up your innovation processes through an online community:

- Be forthright about your intentions (Dump your ulterior motives)
- Establish the ground rules up front
- Listen more than you talk
- Be prepared to respond quickly to questions and criticisms
- Don't try to control the conversation
- Acknowledge member insights publicly
- Report back on your progress

## **BEST PRACTICE 5: REMAIN DEDICATED TO CONTINUOUS IMPROVEMENT**

A good online community is primarily a human experience—one that continues to unfold. You should not, therefore, view your community as a technology initiative with a defined endpoint. Indeed, the launch of the technology platform signals the beginning of journey, not the end. If you want your community to produce an ongoing supply of insights and innovation, you must commit to a posture of cultivation—paying constant attention to activity levels, strategic alignment with business goals, and return on investment. Several general principles can help you stay focused on cultivation:

- Assign a community manager to oversee the entire program, from the initial design phase to ongoing member relations. This person should execute specific innovation initiatives, maintain direct contact with members, and run programs to drive participation
- Measure the results as you go. In innovation-driven communities, it can be useful to track the number of concepts that emerge from crowd-sourcing and to monitor the success of those concepts in the marketplace
- Allow members to help guide the direction of the community. Doing so builds trust, giving them a sense of ownership and giving you an endless supply of ideas and resources.

- Make sure your community has the flexibility to change over time. Both the objectives and the technology platform should evolve to match shifting business goals, fluctuations in the marketplace, and changes in customer demands

## CONCLUSION

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In the coming years, companies will increasingly look beyond their four walls to drive innovation, working collaboratively with customers, partners, and even competitors to generate ideas. Online communities are already playing a central role in the shift toward a more open innovation process, as more and more companies move to adopt them.

The sooner they do it, the better. Customers are clamoring to be heard—to get their questions answered, to voice their opinions, to contribute. End consumers, in particular, are already participating in a wide range of conversations online. Now is the time to tap into this energy. The rewards promise to be rich: engaged customers, credibility in the marketplace, and a thriving culture of innovation.

## ABOUT RIGHTNOW

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RightNow (NASDAQ: RNOW) delivers the high-impact technology solutions and services organizations need to cost-efficiently deliver a consistently superior customer experience across their frontline service, sales, and marketing touchpoints. Approximately 1,900 corporations and government agencies worldwide depend on RightNow to achieve their strategic objectives and better meet the needs of those they serve. RightNow is headquartered in Bozeman, Montana.

For more information, please visit [www.rightnow.com](http://www.rightnow.com).

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