A DIGITAL BIT

FROM DIAMOND'S INSURANCE, ASSET MANAGEMENT AND HEALTH CARE PRACTICE

It takes a community to unleash the potential of e-commerce

About five years ago, a friend of ours was diagnosed with an irregular heartbeat and began taking a drug prescribed by his doctor. Soon after that his health problems were compounded by asthma. So his doctor wrote some more prescriptions. It turns out that the asthma may be a reaction to the drug he was given for his heart condition. Our friend made the connection just last week after spending only a couple of minutes on Mediconsult.com (www.mediconsult.com), a Web site that encourages people to share medical information and offer each other emotional support. Like lots of others who frequent the site, our friend called his doctor to let him know what he'd learned. His doctor changed his prescription.

While there are all kinds of Internet sites that market products and services to customers, only a few have hit on the relatively new idea of building on-line communities as a way to promote electronic commerce. That means the vast majority of companies are missing out on opportunities to connect with customers in new ways. We strongly believe that you can make better use of your Web site if you let your customers interact with each other. We think these on-line communities mark the start of the next phase of the Internet revolution.

The key to building a successful community is to create an on-line environment that attracts the right members. In Mediconsult's case, people are drawn to the site because they can chat with other patients, consult with specialists or even do their own medical research when their doctors don't have all the answers.

You also need to host interesting and relevant content on a community site, and provide your members with easy access

You can make better use of your Internet commerce site if you let customers communicate with each other and even buy things from each other.

to other sites. Mediconsult brims with medical news and information on clinical studies, drugs and diseases. And it makes it easy for members to link to other medical sites. It also features on-line support groups for a range of illnesses, using doctors to moderate the discussions. That helps to provide a layer of expertise and credibility on top of what the patients and visitors can offer. And it's critical to the community's success. Enabling members to interact with each other, outside suppliers, *and* you, will encourage them to return to your site on a regular basis.

You'll also need to facilitate transactions. Mediconsult brings in the bulk of revenues from advertising and corporate partnerships, as well as from private label licensing of its content and

services to other sites. It collects fees for a service that lets doctors consult with specialists outside of their fields. It also brings in revenues from on-line consulting services and from the site's on-line stores.

There are plenty of other ways to generate revenues, too.

Sapient Health Network (www.shn.com), for instance, brings together patients with life-threatening medical problems. It initially wanted to charge members for joining its community but it discovered that it could do even better by conducting population studies and collecting results of surveys of patients and others using the site. It then sells the data to health-care companies for use in product development and marketing.

While a given customer might not be inclined to participate in communities around each and every industry, they will form communities around topics they care about personally -- and they care about their health and their finances more than most things.

Another site that has made a lot of the right moves toward building a

CREATING VALUE IN A WORLD TRANSFORMED BY TECHNOLOGY

community for individuals is E*TRADE (www.etrade.com), an on-line discount broker. In a bid to gain an edge over the more established players in the brokerage business, E*TRADE revamped its site recently to focus more closely on hosting a community.

The site has most of the elements that will prove critical to those companies attempting to build a viable on-line business. It offers lots of market data and other financial information. It provides tools that members can use to make investment decisions. E*TRADE members can exchange ideas with other users, discussing how badly or how well their investments may have done or what stocks they think are hot at a particular moment.

On the E*TRADE site, members have an outlet for airing their opinions about the service. Some complain about the way things were handled on their trades or money transfers. But its boosters offset those gripes when they recount their positive experiences with the site. At the same time, E*TRADE has ready access to what its customers really think so that it can resolve issues in a timely way.

(The community concept is catching. Charles Schwab & Co. reportedly plans to introduce chat and discussion groups to its popular trading site next year. If you visit the site (www.schwab.com) now, what you'll see is a carefully selected list of glowing "customer testimonials" posted by the company itself. Not quite what we're talking about.)

Members also play a role in how they interact with the E*TRADE site. They are regularly asked what they'd like to see added to the site. And there are a number of ways to personalize the way they interact with it. Charts can be customized to match the way members want to follow price movements. And they can set up "Smart Alerts" that automatically notify them when stocks hit their price, volume, or other targets. Active traders – those who trade either 30 or more times a quarter – get perks like access to analyst discussion groups and get priority service. Members that trade 75 or more times a quarter get additional benefits. If you don't qualify as a high-volume trader, you can access some of those same services for a fee.

Despite the success that sites like E*TRADE and Mediconsult have had so far, they've yet to capture their full potential. The Internet lends itself to doing even more. For starters, companies can offer their community members the ability to conduct transactions among themselves.

Consumers will form communities around a topic they are passionate about, whether it happens to be their hobby, their finances or their health.

A property insurer, for instance, might provide its customers with an on-line venue for selling items like vintage jewelry – or other goods that it insures -- to other members of the community. In return for providing the enabling infrastructure and capability, the host could take a small percentage of each transaction.

The point is that consumers will form communities around a topic they are passionate about, whether it happens to be their hobby, their finances or their health.

Once you've found ways for your customers to identify with your site, you'll want to make sure you give them the chance to personalize it by soliciting their input and allowing them to customize the way they interact with it. The next step is make sure members can easily communicate with each other, both privately and as a group. You can make your site more valuable by including links to outside suppliers so that your members can find related information elsewhere. You can also arrange for those sites to send potential customers back to you.

The same goes for transactions. You'll bring more people into your site if you provide them with more than just the ability to buy your products and services. Aside from enabling them to transact with each other, you can also provide links to other suppliers with whom they would like to do business.

If you set things up right, much of the content that attracts members to your site will come from the members themselves and other third parties interested in reaching your members.

In next month's Digital Bit, we'll discuss the economics of on-line communities.