chapter

2 Three Case Studies

by Janelle Brown

The business model goes like this: Assemble a few million people or so. Give them home page tools, chat rooms, surveys, polls, or bulletin boards. Encourage them to make friends and return to your Web site often. And then sell, sell, sell—put ads on every square inch of their home pages and chat rooms, encourage them to buy CDs and software from your e-commerce partners, sell their email addresses or opinions to direct marketers. Make a million, have an IPO. Bingo!

The Web has proven a receptive home for communities from all walks of life; the very nature of the world's greatest communication medium encourages the formation of special interest groups, support groups, friendships. Mailing lists, home pages, chat rooms, bulletin boards: people like to congregate and socialize wherever like-minded individuals might alight.

And wherever people congregate, there is money to be made. The MBAs of the Web figured this out early, and have been trying to figure out how to monetize community ever since. Many of the biggest Web sites on the Net are "community" hubs—for every communications tool that exists, you'll find a company that is trying to turn it into a business model. For mailing lists (also referred to as listservers), you'll find eGroups and Topica—companies which help you set up a mailing list and then sell ads on the email messages that list members send. Companies like Deja.com are commercializing Usenet: their Web interfaces to these universal bulletin boards are easy to use, as long as you don't mind banner ads. And if there is one company that is offering free home pages and chat rooms, there must be a hundred: AOL, GeoCities, Xoom, The-Globe.com, FortuneCity, Homestead, Tripod. The list goes on and on.

These companies serve a useful purpose: Net users have benefited immensely from the simplifying tools that these Web sites provide. If these tools didn't exist, online community would still be squarely in the hands of the technologically elite. And there is no doubt that these corporate-owned services have helped their users forge strong connections with new friends.

Yet there is a natural tension between community and corporate profits. Companies need to make money. And to become profitable, most dot-com startups need to build the largest, most monetized communities possible. Companies like GeoCities or Xoom or TheGlobe.com—all publicly traded companies—have stock market prices that are directly tied to the number of members they can boast and the number of ads they can serve to those members. Communities, on the other hand, tend to be strongest when they are small and tightly focused. As Laurent Massa, the CEO of home-page hub Xoom.com, bluntly puts it:

> If you think about community and affinity groups, there is a limiting factor down the road for this concept, because you are gathering a core of purists. . . . We're not in the business of building art colonies.

The smaller the community, the stronger the links will be between the individual members—yet there will be fewer opportunities to make money off them.

But what happens to community when it becomes commodified? To those who believe in pure, unadulterated community, it is easy to look across the Web and be appalled at the way communities are exploited by their corporate sponsors. These fragile networks of friendship are vulnerable to the machinations of the companies that have brought them together. Companies go bankrupt, and those bulletin boards suddenly disappear; corporations change their business tactics, and communities are suddenly revamped to fit the new market expectations.

No corporate-sponsored community comes without a price.

During the course of four years of reporting on online communities, I've seen hundreds of companies try to turn community into a profitable enterprise; and I've witnessed the struggles that have ensued. The case studies of GeoCities, SmartGirl Internette, and Electric Minds that follow—based on these years of interviews with community developers, members, and volunteers—reflect the fact that corporate-backed communities do not always have the best interest of their members at heart. Despite good intentions and executive rhetoric about "building networks," the company's bottom line usually gets top priority, to the detriment of the community's needs.

Case Study 1: GeoCities[1]

In 1994—those very first days of the Web—a marketing executive named David Bohnett had a brilliant idea. Everybody, it seemed, suddenly wanted a home page on the World Wide Web, but few had the proper tools, skill sets, and access to server space. More importantly, people wanted home pages that were in proximity to those of their friends. Bohnett's brainstorm: What if you offered free home pages to the Web population at large, built around the concept of "neighborhoods" where homesteaders shared common interests?

With a pocketful of venture capital and a big vision, GeoCities was born, and began its meteoric rise as the granddaddy of all online community sites. When the company went public, in August of 1998, its stock price doubled on its first day to a market valuation of $1 billion. Its IPO ushered in six months of red-hot community site IPOs (TheGlobe.com, a second-rate competitor to GeoCities, watched its stock price rise 606 percent

1. http://www.geocities.com

on its opening day, before beginning a slow descent into single-digit prices). By early 1999, GeoCities was boasting 3.3 million members in what it said was the "largest and fastest growing community of personal Web sites on the Internet." As GeoCities CEO Tom Evans proudly put it in January 1999,

> Community is such a hot topic, everyone is claiming they have community on their site. It is the first and only reason for Geocities. That's the reason why people come to Geocities.

And certainly, in the early days of GeoCities, it was a vibrantly interesting community. The site's "neighborhoods" were built around quirky special-interest topics: Area 51, for example, was where alien and paranormal enthusiasts congregated to build their home pages. Gay and lesbian communities descended on an area called West Hollywood, after the famous nightlife district of Los Angeles. And although many other GeoCities users really didn't care where their home pages were located—they were only concerned with slapping a few pictures of their cat on a Web site—others participated in GeoCities' active Community Leader program, volunteering to lead chats, host bulletin boards, and promote other "neighborhood activities."

But by the summer of 1998, around the time of its IPO and the market boom that sent the stock prices of community companies soaring, GeoCities had begun to metamorphose.

The changes happened gradually, but they soon became overwhelming. The GeoCities business model was based on selling banner ads on the home pages of its members, monetizing the traffic that those pages attracted. The number of these banners steadily increased. Soon, the single static ad banner at the top of every GeoCities home page had turned into a pop-up window with rotating animated ads, which refreshed every time you clicked on a link within the Web site. Even more annoying was a ghostly GeoCities watermark that suddenly appeared on the bottom of every member's home page, obscuring the text on the page and causing browsers to crash because of its glitchy Javascript programming.

This corporate drive for revenue expanded into other parts of the site as well, as the money-burning GeoCities struggled to turn a profit. The entryway to each "neighborhood" was filled with banner ads, solicitations, and e-commerce links; it became easier to find a "GeoShop" hawking flowers or software than it was to find a directory of the home pages in your neighborhood. To make matters worse, the sweetly metaphorical "neighborhoods" were buried, reorganized into generic topical directories—arts and entertainment, finance, and so on—which would appeal to advertisers.

Community leaders were also disempowered. In January 1999, there were a daunting 3.3 million GeoCities members, but only 1600 community leaders. Although community leaders were supposed to patrol their neighborhood for "inappropriate" or unfinished pages and encourage newcomers to join the community, expecting these volunteers to be responsible for the activities of thousands of members was unrealistic. Bulletin boards and chat rooms became ghost towns. And community leaders weren't given support or training they needed to moderate their communities—training being an expense that GeoCities just wasn't willing to undertake.

> Community leaders used to pick the pages [to promote on neighborhood front doors], and have a real power which gave them a sense of ownership. They would set up all kinds of programs in their neighborhoods.

explains Amy Jo Kim, author of *Community Building on the Web*, who spent the large part of a year researching GeoCities.

> GeoCities took away their power, backed away from neighborhoods, were lax about the giving community leaders advance notice about new features, and stopped soliciting input about redesigns.

When the GeoCities watermark materialized across the network with no warning, many community leaders took this as the last straw and fled the service, building new homes at other free-home-page services. Some started anti-GeoCities Web rings and petitions. Competing services, like FortuneCity, claimed that they saw significant increases in new memberships after GeoCities imposed the pop-up ads and watermarks.

As a bitter community leader, "Beth P.," explained after she fled the service in early 1999,

> Within the past year, GeoCities has become just like all the other big, heartless corporations. They no longer want to be "your home on the Web," they just want money from their advertisers.

She, along with a few of her community leader pals, dismantled her home page and moved it to competing service Angelfire.

Indeed, it seems that GeoCities was never truly a community to the vast majority of those 3.3 million members. Many visited once, started a home page, and never returned, their neglected Web site lying stagnant and half-finished for years. Others never used the bulletin boards, chat rooms, or special interest clubs. Those who did were happy to migrate to some other service the moment that GeoCities became too big, impersonal, or commercial for their tastes. As Kim puts it,

> [These members] want a place with as much [server] space as they possibly can get, with as few ads as possible. . . . It has nothing to do with community—it's like squatters in burned out buildings in London. It's completely opportunistic.

In other words, it was never GeoCities that was the community—although it served as a useful tool for bringing together a small number of active participants. Although GeoCities—and similar sites—may have sold themselves to investors by touting their "dedicated community" and millions of members, only a small percentage of that number ever considered the service a community at all. For most, it was simply a place to play with pixels and post some pictures, until some other free-home-page service offered a better deal.

On January 25, 1999, the Web directory Yahoo! purchased GeoCities, in a stock deal valued at $3.5 billion. GeoCities currently exists as a subcategory of the Yahoo! search engine. Although Yahoo! reinstated some of the previously popular

GeoCities features—bringing those 41 "neighborhoods" back to the fore—the bulletin boards and chat rooms have been dismantled. Instead, GeoCities members are rerouted to Yahoo!'s own chat rooms and deserted bulletin boards. The community leader program is nowhere to be found.

Are GeoCities executives devastated that the "community" they had built is now simply a site-building tool for the Web's biggest search engine? Hardly—they lined their pockets with millions of dollars. And despite the vocal protests of a few of GeoCities' most dedicated members, it seems that the vast majority of those millions of users don't particularly care that they no longer have neighborhood get-togethers or rollicking bulletin boards. "Community," in this example, was a term used both carelessly and opportunistically—a word bandied about to take advantage of market hype, but not an ideology that was taken seriously by either its developers or its members. The Web's biggest community was not a community at all.

Case Study 2: SmartGirl Internette[2]

As far as corporate Web sites go, SmartGirl Internette is relatively modest. The roughly designed pages are home to a community of teenage girls; thousands visit every day to read teen-penned reviews of games, books, magazines, and movies—many write their own, as well. They post sweetly sincere notes in the active bulletin boards, on topics ranging from vegetarianism to sex to the pain of parental divorce. They can ask advice of site "experts" like Arielle and Adam, who proffer thoughts on love, relationships, on "how guys think." The Web site's slogan is "smart girls decide for themselves."

But besides communicating with their peers, the girls who visit SmartGirl Internette are also invited to participate in dozens of weekly surveys, answering questions about everything from their taste in celebrities to what they would like to

2. http://www.smartgirl.com

see in advertisements to whether Hawaiian print shirts are "very hot with the people in my school." These surveys may seem unimportant, but in fact, they are both the backbone and the stealthy commercial underside of the site.

The woman behind SmartGirl is Isabel Wolcott, a trim blonde professional with degrees from Harvard and Columbia, who keeps the Web site going along with a staff of fourteen. The site began almost by accident; in 1996, as part of her master's degree in technology and education, Wolcott posted a survey on her Web site asking teenage girls what they wanted to see in computer games. When the survey drew a phenomenal response, she had a sudden brainstorm:

> I was doing market research as a consultant—leading focus groups and writing up analysis. I noticed, doing that, how much faster, easier and cheaper it was to do my online survey than these focus groups. . . . I've got this database coming to me from the girls filling out the survey; if you want to do a "find" all you have to do is type in the keyword and hit enter.

When Wolcott put two and two together, SmartGirl Internette was born—not just as a community for girls, but as a vehicle for collecting market research and trend reports on teenage tastes. The information that those girls so painstakingly offer to that invisible hand is collected and sold to corporations—teen magazines, clothing companies, advertising firms, anyone who might be interested in the fads, trends, and tastes of teenage girls. This, in the world of trend reporting, is valuable information. Every time a visitor to SmartGirl explains that beaded flip flops or Latin-tinged music is what turns her on this month, someone is assessing that information and using it to better create and market products that she will *have to have*.

The SmartGirl community is, in fact, a vehicle that helps companies turn kids into better consumers.

Of course, SmartGirl is also a terrific community for teenage girls; there is no doubt that Wolcott truly wants to create a meaningful place where girls can let it all out. She gushes with excitement when she speaks about how "cute" the girls on her

Web site are, and is earnest about the way the bulletin boards break down the walls that teenage girls erect:

> You have people who are coming from completely different sides of the coin who would never talk in real life; you've got the popular girl with lots of friends talking with the geeky girl who is lonely and depressed. They are giving each other advice. They are having conversations they would never have with the girls who sit next to them in math.

In fact, she even sees the surveys themselves as a similar kind of female empowerment.

> Their impulse of wanting to be heard by other girls is the same thing that makes them want to be heard by other companies; they won't hesitate to tell us how they feel about things. . . . The girls want companies to listen to what they think. Here's the one place in their lives where what they have to say really does matter; they love the fact that their opinion is getting showcased for the world to see.

She is also quick to point out that, because the market research supports the site, the girls aren't forced to view advertisements.

Do the girls truly understand that they are participating in what is essentially an ongoing focus group that helps corporate sponsors sell merchandise? On the bottom of survey pages, in very tiny type, SmartGirl explains that

> SmartGirl does research for companies that make things for girls. They pay us to tell them what teens want. When you fill out a survey, you're helping us make money, and you're helping companies learn how to make better products, services, and advertising for girls like you.

The odds are slim that the girls actually read this tiny disclaimer; it is more likely that they simply get excited when they see their first name and comments show up in the monthly newsletters that SmartGirl sends out to its teenage members (a different, more cursory newsletter than the detailed $10,000-a-year reports that clients receive).

This kind of data collection has infuriated media watchdog groups in the past, which accuse SmartGirl of exploiting the teens. Katharina Kopp, a senior policy analyst at the Center for Media Education, points out that

> A lot of teen sites have these so-called surveys or polls where they get information from kids; they package it as if it's empowering to girls to speak out and have someone listen. I think that's deceiving, because they aren't always clear about how the information is used.

Wolcott is unapologetic about the fact that her Web site gathers and sells information from teenage girls.

> Of course it is all about making money; nobody can deny that we're a for-profit business. But to me the best way to make money is to do the right thing for your audience.

And the right thing, in her opinion, is to give these teenage girls a forum to opine to each other, and to the world at large.

And, in fact, her community seems blissfully unconcerned about these issues, as thirteen-year-old girls are wont to be. Instead, they prattle on about cliques and sexual harassment, crushes and homework: glad, no doubt, to have finally have a place where they can do just that.

Case Study 3: Electric Minds[3]

It is very common for corporate communities to be effaced from the Net; this often happens abruptly, and to the horror of the people who have forged friendships in those forums. AOL chat rooms suddenly disappear, bulletin boards are shut down without warning, Web sites offer free home pages until they suddenly go bankrupt—communities constantly find themselves displaced by their corporate sponsor's financial woes.

3. http://www.minds.com

Netscape's ambitious Professional Connections bulletin boards were scrapped just a year after their launch, for example, after the company decided that community was not going to be a lucrative endeavor after all. The boards were abruptly removed from the site, with no warning whatsoever—not even the paid and volunteer discussion leaders had advance knowledge of the community's demise. Members were left scrambling to find email addresses and contact information for friends they had known only by their login names (or pseudonyms, in some cases). Only persistent and vocal protests convinced Netscape to revive the boards for 30 days, giving members enough time to connect and try to move their community elsewhere.

And many *do* move their communities elsewhere. The Spot, a campy online soap opera popular in the early days of the Web, had a fan base that gathered daily in the adjacent bulletin boards; this group regularly flew across the country to participate in "SpotFan gatherings" and discuss not only the shenanigans of their favorite soap opera characters, but their own lives. The Spot was yanked from the Web in 1997, when the company behind it, American Cybercast, went bankrupt. But instead of disappearing into the ether, The Spot's fans built their own bulletin boards elsewhere: SpotFans.com, hosted on a fan's personal Web page, where the same group continued to chat away for two years after the soap opera's demise.

Then there's the case of Electric Minds: a community that was built by one of the most respected names in online community, Howard Rheingold, and still managed to fail financially and displace its members.

Rheingold, the author of *Virtual Community*, envisioned Electric Minds as a free and open—but equally erudite—alternative to subscription-only communities like The WELL and Echo (established bulletin-board systems known for the literati that gathered within their walls). Electric Minds, which launched on the Web in 1996, was a bulletin board built around a core of daily, staff-penned content on provocative topics. Net personalities like Laura Lemay and Justin Hall offered columns discussing community, virtual reality, and technology; inside the discussion boards, some 70,000 registered users participated in thoughtful debate.

With nearly $2 million in their pocket; a plan to make money on advertising, books, television shows, and content syndication; and a staff of well-respected "digerati" versed in online networking, Electric Minds was an online community that should have survived.

It didn't.

Despite plaudits from *Time* magazine (which listed Electric Minds as one of the ten best Web sites in 1996), the company ran out of money merely eight months after it launched. Although Electric Minds' plans were ambitious, its audience of geeks who wanted to chat about high-concept and academic topics was simply too narrow to appeal to the advertisers the site needed to survive; of those 70,000 registrants, merely hundreds actually posted regularly. Revenues were elusive, the Internet market was soft, and Electric Minds' primary funder—the Japanese investment firm Softbank—eventually pulled its money out of the company. Just days from being shut down for good, Electric Minds was finally purchased by Durand Communications, a conferencing software and services company.

Durand executives promised not to disrupt the community; but they also suspended the editorial content and denied the community members the resources that they needed to keep going. Rheingold explains,

> The people who bought Electric Minds wanted the brand, the publicity, because they were aiming to sell their company. . . . There's an awful lot of window-dressing in the community business, on the bottom of the food chain; there are a lot of companies that throw in "community" and they just want to flip [their stock]. The community smells it and it doesn't cohere.

And, in fact, the community soon fell apart, unhappy with its new owners. As the Electric Minds staffers and hosts departed, community members were unable to assemble any kind of democracy or charter that would organize the remaining discussions. Members fled. Today, although the Electric Minds Web site still exists, it is a shell of its previous self; where hundreds posted before, mere dozens remain today. Most of the "digerati" are gone.

But the community, in part, lives on elsewhere. Many of the departing members ended up at Rheingold's next community, a nonprofit project called Brainstorms hosted on Rheingold's personal Web site. The lesson learned, says Rheingold, is that it is difficult to build any kind of business model on community alone, and, in turn, that communities are probably better off without those corporations in the first place. He explains,

> Community is almost orthogonal to funding. You need the box to stay up, the bills to be paid, to be able to pay online facilitators, you need to have some marketing to draw people to [the community], but that's it. The people, other than your paid hosts, are the people who create the community content.
>
> Can you make money with community? No, and you shouldn't try to make money at it. If community is not a multiplier of an already sound business model, forget it. If you sell widgets . . . then an online social network can enhance your ability to make money doing that. But people are not going to pay your company for what they can find elsewhere.

But *can* they find these kinds of communities elsewhere? Do these social networks need to rely on companies that will use them as market-research guinea pigs, try to sell them products, bombard them with advertising, and eventually dismantle their community if the business model doesn't fly? Certainly, the examples of Electric Minds and The Spot suggest that communities don't need their corporate sponsors to continue existing.

Looking at the examples of GeoCities, SmartGirl, Electric Minds, and other for-profit communities, you could come to the conclusion that the Web would be better off if community were left to nonprofit entities. Any company that builds a community at the core of its business is going to discover a natural tension between what best serves its members and what best serves its bottom line. The teenage girls at Smart-Girl should be able to discuss their favorite movies without having their opinions scrutinized by marketers; if given more community leaders and fewer pop-up ads, GeoCities members might actually be able to build a community; had the Electric Minds community been nonprofit from the start, its members wouldn't have been displaced so soon.

It's difficult to turn a profit in the community business; but it would also be short-sighted to dismiss the idea altogether. Web sites like these *have* served their purpose: bringing together like-minded individuals who might not otherwise have discovered each other. Sure, there are thousands of noncorporate communities online—IRC chat rooms, Usenet discussions, and bulletin-board systems abound—but they aren't always easy to find and navigate. Only a small number of technologically advanced Web users have the skills and tools required to build community areas on their own personal Web sites.

These community companies, despite their flaws, have introduced millions of Web users to the notion of online community; they have established networks, enlightened individuals, and stimulated new friendships. Disturbing as it may be to watch these struggling companies exploit their users on the quest for profits, at the end of the day a community is only the sum of its members. And if they are unhappy, those members can always move.