An E-Commerce Business Model of Peer-to-Peer Interactions among Consumers

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EXECUTIVE SUMMARY

E-commerce facilitates not only consumer-to-company interaction, but also consumer-to-consumer interaction. In earlier years, text-based message boards characterized the community nature of these consumer gatherings. Now, advanced technology and higher bandwidth allow use of images and video as integral parts of sites such as facebook.com or youtube.com. Unlike the earlier era of dotcom bubbles, the high valuation of these sites is reflected in their capacity to generate revenue—not only do they boast high visitor numbers, but a higher extent of much desired “stickiness,” too. Organizations look at these new “water cooler” places with interest as they may have some implications for the e-commerce strategy of a firm. Since social networking is an emergent phenomenon, much of the research is in the exploratory stage. A case study was conducted to examine how a firm, Eliterecruiting.com, which provides a social networking platform to football fans, integrates the virtual community in its business model. [Article copies are available for purchase from InfoSci-on-Demand.com]

Keywords: Business Models; Customer Relationship Management; E-Commerce Managerial Issues; Ethics; Internet Marketing; Social Networking; Virtual Community; Web 2.0

ORGANIZATION BACKGROUND

For the real fans of US college football, the season is not over in January when the last of the championship games are played. On a typical post-season afternoon, thousands of college football fans across the United States are glued to a message board at Eliterecruiting.com, waiting to hear where a young high school recruit in St. Louis is going to play college football.

Eliterecruiting.com is a series of approximately 150 Web sites that are interconnected with each other. Each Web site is associated with a major university, focusing on the athletic season as it unfolds, as well as recruiting news. Though American football remains the most popular game,
this site also caters to the fans of other college sports such as basketball and baseball. The site sells promotional space to various advertisers. It launched a fan shop to sell sports-related gear to fans in December 2005. However, a major portion of revenue comes from a well-established subscription base approaching 180,000 subscribers. The fans buy subscriptions to gain access to premium content, comprised of stories about athletes and their teams, and the message boards. A typical subscriber is a fan of a specific football team who is hungry for additional information about that team. The Web-based business model is designed to draw fans to a particular Web site and allow them to access the full content when they buy the monthly ($9.95) or yearly ($99.95) subscription. Eliterecruiting.com is attracting roughly 2.5 million viewers monthly to its network as of early 2008, and it has more than 180,000 active subscribers and 2.5 million unique visitors per month. Eliterecruiting.com has a network of 300 college, high school, and recruiting reporters who contribute, on average, about 500 news items per day.

One key advantage of being a paying subscriber is access to the premium team message boards. This is where most subscribers go to exchange information with fellow fans. The message boards have many types of members. The moderators are responsible for monitoring the board and keeping it clean. There are leaders who have “inside” information. There are general posters who post occasionally and lurkers who rarely, if ever, post. There are also contributors who produce the premium stories on the sites, and interview recruits along with covering current university teams. Other premium content includes an extensive recruiting database full of information about the nation’s top high school recruits in football and basketball. There are also the famous recruiting rankings which rate recruiting classes against each other similar to the rankings released by the coaches and media. Just like there is a college football championship at the end of every season, there is also a recruiting national title at the end of each recruiting cycle.

In addition to the site and its content, Eliterecruiting.com promotes itself through various other media outlets in an attempt to sell more subscriptions. It is common for board contributors to appear on local radio shows in markets where teams have sites. Eliterecruiting.com is also experimenting with having an Internet radio show.

**SETTING THE STAGE**

Eliterecruiting.com has experienced tremendous growth over the last few years. Originally, Eliterecruiting.com started as a regional recruiting magazine. It was titled The National Recruiting Advisor. The magazine was started in South Carolina by Jim Hammer in the early 1990s. The premise of the magazine was to put as much information about college football recruiting as possible into quarterly issues. There was also a charge-by-the-minute phone number that fans could call to get the latest information on recruits. The magazine was deemed a success in a relatively short period of time. The popularity of following recruiting grew as Jim Hammer started to appear on radio shows throughout the country and fans began to see that recruiting was a big part of a team’s success. Meanwhile, the Internet was coming of age as a new medium. Jim Hammer started Eliterecruiting.com as a Web-based supplement to his magazine. Initially it was a national site and was not related to specific teams. The site was also an early success. Fans from all over the country flocked to it to find out information about recruits and their teams. As the site began to grow, two things became obvious. One, this was more than just a supplement to the magazine, as it was an entity in itself. Two, there was a very good opportunity to expand. The company raised $75 million in funding from various sources; prominent among them were News Corp., Ford, Hemmingway and Venture Partners, and Equitybank Ventures.