Chapter 2.5
Virtual Community Models in Relation to E-Business Models

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INTRODUCTION

Virtual communities were initially recognized as social phenomena. This is evident from the definition of virtual community as “a social aggregation that emerges from the Net when enough people carry on public discussions long enough, with sufficient human feeling, to form webs of personal relationships in cyberspace” (Rheingold, 2000, p. 5). The idea of a virtual community as a profitable business model was subsequently raised by Hagel and Armstrong (1996, 1997) who claimed that the benefits of a virtual community would arise from two aspects: from the unique capabilities of the digital medium where the virtual community is located in and from the virtual community model itself. The latter aspect is what differentiates virtual communities from other online Web sites. Unlike other online Web sites, a virtual community is intended to create a “sense of community” that binds individuals to the Web site and serves as the “push” factor for repeat visits. Table 1 summarizes some of the proposed business benefits stemming from a virtual community (Bank & Daus, 2002; Hagel & Armstrong, 1996, 1997).

Although the startup cost of a virtual community is comparatively low, the costs of maintaining it are significantly higher (Hagel & Armstrong, 1997; Kim, 2000). Therefore the decision of whether to create a virtual community in support of an e-commerce Web site is not to be taken lightly. Critics have also questioned the validity of the suggested benefits of a virtual community,
Virtual Community Models in Relation to E-Business Models

particularly since there are no clear-cut measures to verify that these benefits can be attributed to the virtual community. Additionally, the fundamental premise which the virtual community relies on for its success, that is, its unique capacity for interaction amongst members and/or with the company (Balasubramanian & Mahajan, 2001; Lechner & Hummel, 2002; Mynatt, O’Day, Adler, & Ito, 1997), is subject to high risks of failure. This is because customers can always turn this capability to the company’s disadvantage by spreading adverse comments about the company’s products.
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