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*Bringing content to **life***

# Extranet 2.0

Driving Value and Revenue through Social Media

WHITE PAPER

They have already proven their value on the Internet, driving greater user engagement and loyalty. So, it's no wonder that Web 2.0 components, friendlier user interfaces (probably inspired by the iPhone), and other new technologies are now being found in more and more intranets, too. The next logical step? The extranet, where a select and controlled audience is eager for more socially-driven interaction. Although often overshadowed by Internet or intranet initiatives, a properly executed extranet strategy can produce huge value and revenue for organizations. The following explores the key considerations for a successful launch.

### **At first, the focus was transactional**

As companies initially began to develop extranets for partners, suppliers and customers, the focus was primarily transactional. In fact, it was not uncommon to see extranets that would simply surface facets of back-end line of business systems – either homegrown or packaged ERPs (Enterprise Resource Planning systems like Oracle or PeopleSoft), or customer relationship management (CRM) applications. Coupled with some basic content management for announcements, this approach represents a functional but somewhat uninspired backbone of an extranet 1.0 solution.

### **Now it's all about the experience**

Extranet 2.0 is defined as the application of Web 2.0 principles to the extranet. It is a notion that is starting to gain traction with organizations as it proves value in driving a better online experience. The primary idea is to merge social media, personalization and segmentation capabilities with behavioral content targeting in order to create a more engaging and valuable extranet for the user—one that results in up-sell and cross-sell opportunities. Delivering content to the right person at the right time and in the context of a peer-to-peer setting can create new sales opportunities.

### **The old adage is still true: It takes the right connections to succeed**

These days most connections are online and organizations must create an engaging Web experience to keep customers and create new opportunities.

## **Opportunity, Expectations and Threats**

In order to better understand the fundamentals of social media and how it brings value from a user perspective, we can look at the Network Effect for theoretical predictions of value.

“The value of a broadcast network grows in proportion to the number of viewers.” – Sarnoff’s Law

“The value of a network grows in proportion to the square of the number of users.” – Metcalfe’s Law

“If you add up all the potential two-person groups, three-person groups, and so on that those members could form, the number of possible groups equals  $2^n$ .” – Reed’s Law

Whether implementing social media will result in a linear, squared or geometric function of value is largely dependent on how the solution is implemented. There is consensus that at a bare minimum social media will make extranets more engaging and relevant in the following ways:

- **Increased Customer Loyalty** – Giving visitors a voice through wikis, forums, reviews and other Web 2.0 tools for online interaction can have a profoundly positive effect on your Web efforts. This engaging experience can actually increase time spent on your site, draw users back to your site again and again and lead to increased revenue.
- **Enhanced Brand Awareness** – When your customers feel like you’re listening to them, they feel empowered. By giving them a forum to express themselves and share opinions, you come out the hero. Positive word of mouth is contagious and powerful.
- **Lower Customer Care Costs** – Allow your customers to be your best advocate. Online communities can provide two-way interaction that can increase customer satisfaction and also lower help desk costs. For example, you can leverage forums that help users support each other and share best practices.
- **Enhanced Collaboration and Knowledge Sharing** – Creating online communities is essential for increased productivity and efficiency. In today’s digital age, teams must have the ability to collaborate anytime, anywhere. Evolve your Web and portal properties into a place where all users can contribute, exchange ideas and share opinions.
- **Creating a Valuable Resource** – An online community where partners, employees and other constituents have an opportunity to collaborate through wikis, forums and other social media tools can result in a very valuable source of information. The content is created collaboratively with contributions of multiple trusted sources that capture real-world practical knowledge about your products and services, your industry, best practices and other useful topics.

One of the greatest challenges that extranet owners face is how to keep up with the rapidly changing expectations of audiences. It is not uncommon for users to wonder why they can seamlessly search, find reviews and order a \$20 product and from an e-tailer at home, yet at work their supplier’s extranet—where they do \$1 million of business per year—is cumbersome to work on and confusing to navigate.

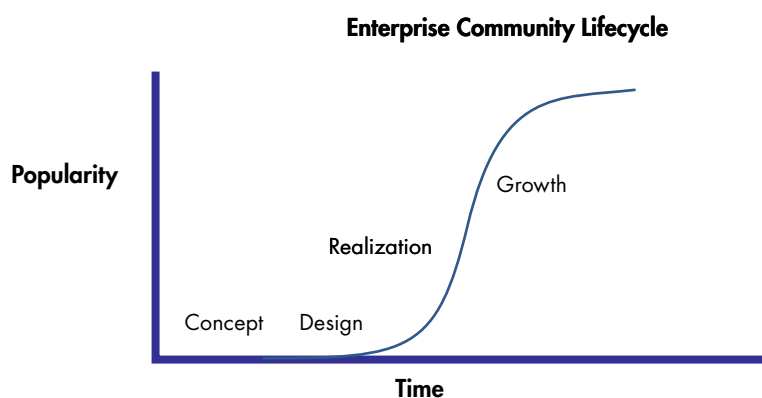
Finally, organizations must grapple with the fact that if they don’t provide their customers and partners with a relevant extranet, someone else will. This could be in the form of a third-party site or worse, a competitor’s site.

## Apply the Enterprise Community Lifecycle to Your Extranet

It's a fundamental shift: Introducing the notion of community and user participation in the extranet environment.

How do organizations begin to think about and approach the extranet 2.0? Borrowing from the Product Development Lifecycle, we can create our own four phases to managing the challenges of establishing a community:

1. Concept
2. Design
3. Realization
4. Growth



### 1. Concept

The first step in the conception phase is to understand what your organization plans to achieve by establishing an extranet community. Are you trying to sell more of something? Are you trying to reduce costs? Typical arguments on the increase revenue side are:

- A community will increase the sales of my products through increased visibility with cross-sell and up-sell opportunities to existing customers.
- Communities help foster an ecosystem where customers will be able to better connect with partners and thereby increase their satisfaction and drive revenue.
- A community will encourage partners to think that our products offer a long term platform on which they will base their services.
- A community will help me develop better products through a constant stream of feedback.

On the cost reduction side, typical factors include:

- A community will decrease the amount of service calls that will be made.
- A community will help me test the quality of my products before they are launched.

## 2. Design

We like to call this the “Community Blueprint” phase. A useful first step is to get a better view of your users with an **audience analysis**. Are all partners the same? Are all customers the same? The more that you can segment your audience according to **common interests**, the better you will be able to tailor your extranet to their specific needs.

The next part of the Community Blueprint is the **seeding strategy**. This is where organizations need to figure out how to jumpstart the community. In a sense, extranets do have a bit of an advantage because there is generally some functionality that will forcibly draw users to the site, be it for transaction verification or to contact customer care. For extranet scenarios, the key is to draw people into a community, even as they are doing something else on the extranet. A classic example is to steer an audience to a discussion group just before they submit a support ticket. One technical challenge is to remove as many registration hurdles as possible. Ideally everyone on the extranet would automatically be registered for the community functionality, but in most cases a single click registration would be acceptable. Be sure to choose a technology platform that supports this natively or incorporate Single Sign-On (SSO).

Now you are ready to begin the next part of the Community Blueprint: Take a step back and evaluate who your users are and what are the types of things they want to do on the site.

Some examples:

- A technical lead for a customer needs to research how to approach a particular problem. He would like to consult a wiki and a discussion.
- A customer wants to learn about implementation partners for a project. She reads expertise profiles of partners to help make an informed decision.

Care should be taken to not just fulfill these use cases in isolation. Often a relationship formed between seemingly disparate entities brings about the greatest value. When the scenarios and use cases have been fleshed out, the next step is to assign priorities to each one and establish the minimum bar for launch. Determining this should generally revolve around the key features that will add value. Often, these key features will be complemented by some minor non-core features that add value and are easy to implement. Setting the minimum bar for launch will help your team focus on what’s important.

A well known axiom in software engineering is that there are three key variables in any custom development effort: schedule, features and quality. In theory, managers can control any two out of the three variables, but in reality, quality is usually off-limits so the choice is between schedule and features. Using packaged components can reduce the schedule time, increase the features and increase the quality, but you must very carefully stay on top of the details. There may be some hidden costs with implementing packaged components, plus there are some risks if key questions are not addressed early. For example, you may ask yourself:

- Will the social media components integrate with the corporate content that I generate?
- Will moderation be centralized so that site leaders can easily ensure that user-generated content is appropriate? On the surface, moderation may appear to be less of an issue with extranet sites than Internet sites. This is certainly true with regard to the number of incidents that will occur; however, the impact of those incidents could be greater due to the importance and possible sensitivities of the audience.
- Will the packaged components integrate with a site-wide search? If a distributor searches for a particular product, the ideal solution would federate results from:
  - An ERP system like SAP
  - Corporate content about the product
  - User-generated content from the social media components, like discussions, comments or videos of how the product can be used in practice

It is probably appropriate to consider a phased approach that allows the organization to demonstrate quick wins and build momentum. At the same time, the first phase must be ambitious enough to generate critical mass. As you build these phases, it is important to tie them to the goals set in the concept phase and think through the metrics that will be captured and reported. It's the only way to show how the efforts are supporting the overall company goals.

The final element of the design phase is to define the **structure of your team**. Contrary to other initiatives, you may be surprised to find that there are two additional roles that will need to be filled by your team. These two roles are referred to as **Community Designers and Community Leaders** – the metaphorically inclined call them Landscapers and Gardeners. The Designers create the structure of the site, and after the launch continue to update the different areas to keep pace with changes in the community and possible technological opportunities.

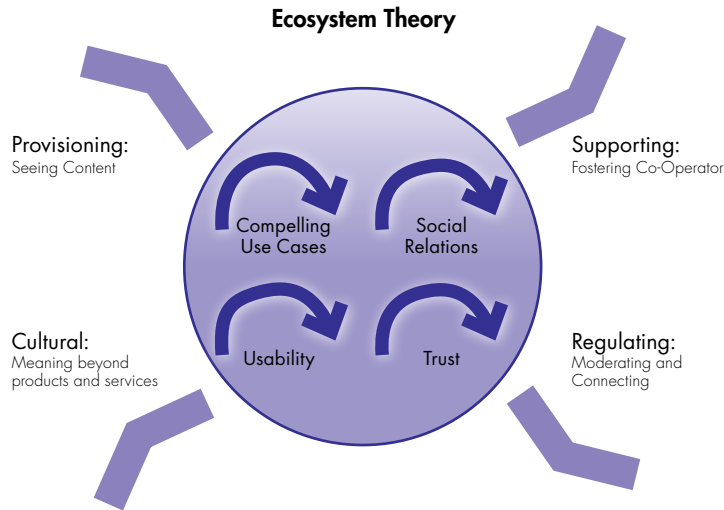
Leaders, on the other hand, may play moderation roles, but more importantly, they are responsible for seeding content and steering communities in ways that are conducive to the goals of the extranet. Seeding the content early is critical during the launch. The maxim that, "Every great community is driven by great content" is apropos. Convincing users to participate becomes progressively more difficult if each time they visit the site there is nothing of interest. As the community grows, organizations may find that some of the participants will emerge as leaders. These users are critical to nurture – not only do they provide immense value to other community leaders, but they will also help relieve staffing pressures as the community grows. Where possible, these leaders should be recognized and be given moderation or even design responsibilities. In extranet scenarios, typically partners strive to become leaders as it is in their own self interest to be recognized as knowledgeable thought leaders.

A small word of caution during the Design phase – because of inherent riskiness of user-generated content, it is important to ensure that Legal and IT departments are kept fully aware of the initiative so that no internal 11th hour surprises crop up. Typically, these departments will push back to a degree on the initiatives, especially ones which involve a paradigm shift like user-generated content. Involving them early will motivate them to be a positive force for the project.

### 3. Realization

As anyone with product management experience knows, the amount of time spent on the Realization phase should be shorter than the Design phase. This is especially true since many features can be purchased as opposed to being constructed from scratch. An interesting approach to a launch plan for social media sites is to have a soft launch. Because of a possible disconnect between what you believe your audience wants and what they actually desire, it may make sense to initially launch the site to a small audience and gather their feedback in either formal or informal focus groups. As you eventually consolidate the content of the site and tighten the features, the key gating factor is the answer to the question, "If they come, will they return?"

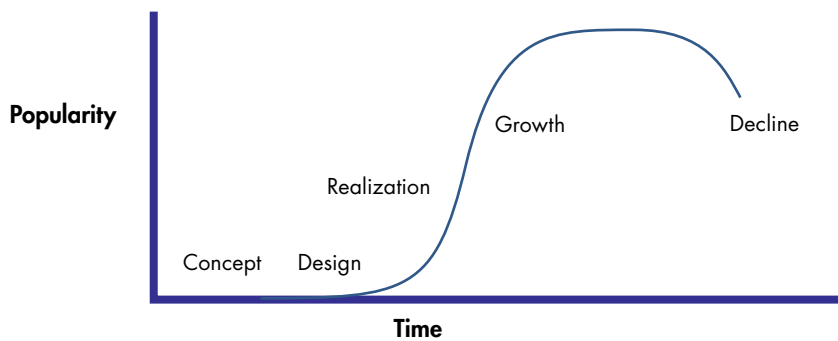
As communities start to develop, it is important to recognize the entire ecosystem that may form. A typical scenario is where partners and customers start to connect with one another in mutually beneficial scenarios. In other situations, customers may start to interact and even help one another; this is especially true where customers are not competing with one another directly.



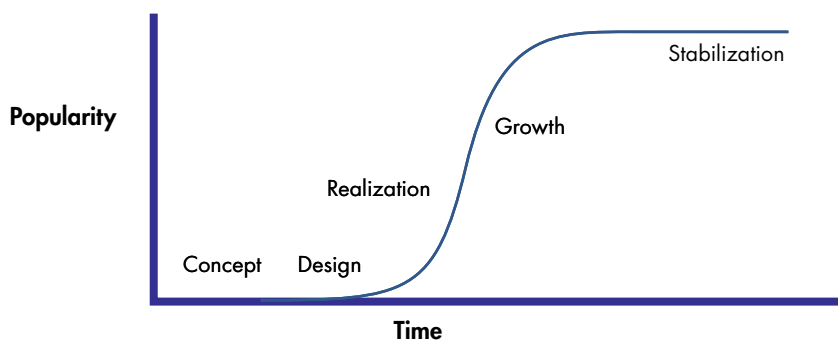
## 4. Growth

Beyond nurturing community leaders to encourage the continued sloping growth of the community, you should consider the typical patterns of the post-growth phase of the launch:

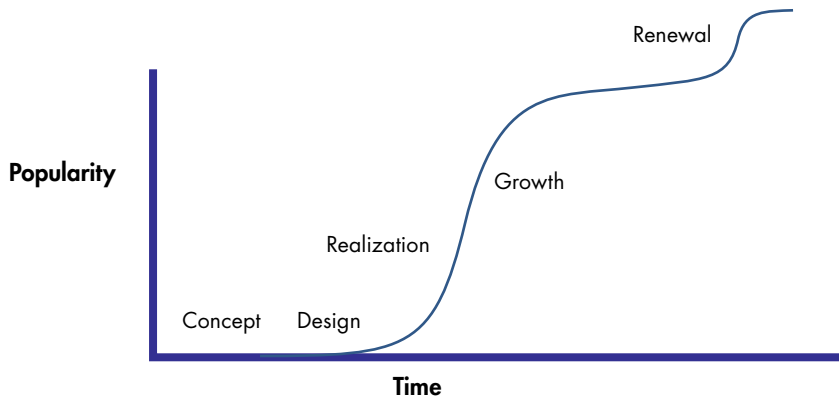
### Community in Decline after the Growth Phase



### Community Stable After the Growth Phase



## Renewal of the Community



One of the key misconceptions of the post-growth period is that everything will be stable. The reality is that most communities will eventually find themselves in decline unless there is an active effort to renew the community with new technologies.

## Next Steps

Vignette is the leading Web platform provider enabling large organizations to conduct business on the Web. As your organization formulates an approach to evolving your own extranet, the Vignette Digital Strategy team is available to assist in the planning phase. Please e-mail us at [usinfo@vignette.com](mailto:usinfo@vignette.com) to schedule an introductory appointment to explore whether there is an opportunity for Vignette to assist your organization.

## About Vignette

Vignette provides social media solutions that empower organizations to build communities, enable participation and encourage online interaction. Vignette's social media solutions work in conjunction with Vignette Content Management and Vignette Portal – two products that are the mainstay of many leading extranets worldwide.

We've challenged the notion that social media is just blogs, wikis, forums, ratings, tagging, reviews and common Web 2.0 functionality. In our vision, Web 2.0 tools are an element of a broader online strategy that can be so much more. Vignette is the first enterprise vendor to deliver a comprehensive, integrated enterprise social media solution that spans intranet, extranet, and Internet cases and includes video, personalization, social search and analytics. Vignette's powerful solution is future ready and leverages over 15 years of experience creating the most engaging Web experiences for the world's leading brands.