

Selling to the virtual consumer

Contributed by Euromonitor International
Tuesday, 03 April 2007

Selling to the virtual consumer, by Euromonitor International

Can avatars living second lives in virtual worlds double the number of real consumers spending real money?

Key Trends

- Â Virtual commerce
 - Â Second Life
 - Â Avatar consumers
 - Â Virtual money
 - Â Virtual word population
- ## Commercial Opportunities
- Â Web 3-D and immersive content
 - Â Virtual products
 - Â Virtual offices and factories
 - Â Virtual osmosis with the real world
 - Â Customer relationship inter-world transfer

SUMMARY

The general perception of virtual worlds, such as Second Life, is of games. However, to participants and to many companies, such virtual environments are more serious and important, both personally and commercially. To participants, avatars have more than virtual reality and are, in effect, alter egos of the self.

The status of avatars both as consumers and as virtual people with views, tastes, needs and political attitudes will become increasingly important to advertisers, companies, artists and politicians. Avatars are a new public with relevance to the real world in terms of brand recognition and sales and virtual environments can become test beds for the real world.

Virtual worlds such as Second Life are regarded by some analysts as a microcosm of society and commerce offering major potential for business and commerce, marketing, social science and learning. According to reports, IBM and Sun regard Second Life and other virtual worlds as a pathway to next-generation operating systems. Similarly some retailers such as American Apparel are mixing and matching virtual and real-world sales.

BACKGROUND

There are currently some 30 virtual social worlds of which Second Life is probably the best known. In these worlds avatars (digital personas) interact. These worlds are not the virtual worlds of the \$350 billion massively multiplayer online game (MMOG) genre: the players do not compete to win the game, they are not in this sense players at all. The objective is to achieve social success and personal fulfilment. The non game virtual world sector is currently achieving huge growth: according to reports Second Life is growing in terms of participants by more than 20% per month.

Osmosis

Of particular interest is the way in which companies are establishing presence in virtual world's like Second Life, viewing them, as new markets with huge potential to interact and collaborate with consumers in an environment where there are fewer obstacles to establishing customer relationships. The idea is that a relationship with an avatar in the virtual world will translate into a relationship with a flesh and blood consumer in the real world. The principle is regarded as the same as the interrelation between clicks and mortar in retailing.

Virtual currency

The population of virtual worlds is growing far faster than that of the real world. According to reports current virtual currency spending is running at more than \$550,000 per day.

The avatars of Second Life have shared and privately owned space within their virtual world. Using an internal scripting language and 3-D authoring tools, they are able to build homes and other facilities and also businesses which sell products and services to other avatars. In Second Life avatars pay each other using the Linden dollar, which has a real-world value which sums to a total real world money supply of \$1.2 billion.

2-D to 3-D

While Bebo, Cyworld, and MySpace etc are 2-D, virtual worlds like Second Life are moving towards 360-degree 3-D immersive content through which the user navigates and interacts. Other characteristics of these virtual worlds is that

users interact with one another and with objects in real time and have tools to create custom content to add to the existing environment and change and modify content. Users create social groups, clubs, neighbourhoods and interact, perhaps with avatars relating to others as their real world controllers wish they were able to do. The avatar can be the social model as well as the vicarious enacter of the real world consumers' ambitions.

Virtual applications

There can be other applications of virtual worlds: Second Life has been used for disaster-preparedness training. Crescendo Design, a US design company prototypes homes in Second Life so that clients can visualize the space and occupy it via avatars. More than 75 universities and learning organizations are exploring learning and library services in 3-D spaces, while the United Nations Millennium Campaign has commissioned a poverty-awareness project in Second Life.

Companies boldly go

There are already many examples of major companies pushing back the marketing envelope by establishing virtual offices. IBM plans to invest \$10 million in 2007 in its Second Life presence in order to assess the potential of a 3-D Internet and virtual business. As well as establishing replicas of two of the company's real world research centres, IBM is collaborating with Beijing's Palace Museum to bring the Forbidden City into its virtual space.

Meanwhile MTV has created an immersive version of its reality television show - Virtual Laguna Beach, which offers 3-D experiences that reflect the location and happenings within the TV programme. The virtual show also offers immersive integration for the show's advertisers which include PepsiCo.

3-D selling environment

A 3-D virtual environment has major potential as a selling environment: at a Sears Virtual Home, avatars of IBM architects greeted guests with glasses of virtual wine and invitations to sit in recliners and watch flat-screen televisions in a home theatre. The idea was for consumers to see how Sears' appliances looked and integrated within a 3-D environment.

OUTLOOK

According to analysts, the number of virtual worlds is doubling every two years and the interaction with the real world is where the commercial excitement lies: American Apparel opened a virtual store in mid 2006 offering virtual clothing to avatars. However, according to reports, there was immediately pressure from consumers and commentators to integrate the virtual store with real-world purchases, causing the company to offer real clothing discounts to virtual clothing buyers. Similarly, there are Amazon retail kiosks in a number of virtual world locations which allow avatars to purchase real world Amazon products.

Already real value has been virtually achieved: Anshe Chung, Second Life's virtual-land baroness, recently announced that her holdings have made her a real world millionaire.

Virtual shows and virtual news

The Web has already seen purely virtual bands such as Gorillaz and major groups have performed and been interviewed on sites such as Habbo. Duran Duran recently agreed to appear on Second Life in avatar form and perform a live concert on the site. It was also recently announced that Reuters plans to bring its real newsroom to a virtual audience. Second Life citizens can check the latest headlines by using a feature called the Reuters News Center, a mobile device that users can carry inside the virtual environment. Stories will focus on both the fast-growing economy and culture of Second Life and also include links to Reuters news feeds from the outside world.

Virtual campaigning

The battle for hearts and minds is also to be joined in the virtual world. According to reports, Italian avatars are protesting against plans to build a campaign headquarters in the Second Life community. Avatars gathered on a tropical island bought by Antonio Di Pietro, Italy's transport and infrastructure minister, to protest at his plans to set up office space there. There have also been reports that the virtual campaign office created by US presidential candidate John Edwards was vandalised on February 26 and that virtual shots were fired in January as anti-racist avatars attacked the virtual offices of Jean Marie le Pen, the French rightwing politician.

Such incidents seem surreal to most consumers today but virtual worlds will rapidly become accepted as something more than sophisticated game environments as the proportion of consumers investing part of themselves (and part of their money) in avatars grows. And with this growth in acceptance and participation, the significance of the "personal, political and commercial" of the avatar consumer as a paradigm of real life will grow.

For further detail about this article and other related findings, please visit [Euromonitor International](#) by clicking here.