Real Commerce in Virtual Worlds

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Introduction

- Directions in commerce practice in Virtual World (VW) environments?

- Similarities & differences in commerce RL and SL?

- Are key success factors different in VW environments?

- Can principles of SL commerce be transferred (“unvirtualized”) to RL?
Virtual World Environments

- Immersive, interactive, persistent online environments
- Provide game-like, role-playing, concurrent experience
- Consist of online personas, creations of online personas, spaces and their interactions

![Diagram showing the evolution of virtual worlds](image)

- **2-D (early 90’s)**
  - *ImagiNation Network*
  - *The Palace*

- **Immersive (mid 90s)**
  - *Active Worlds*
  - *There*

- **Massive (late 90’s)**
  - *Second Life*
  - *Entropia Universe*
Linden Lab’s Second Life

- Extensive world, designed on real world template
- Avatars placed under almost realistic environmental constraints
- Residents retain intellectual property rights over in-world creations
- Commercial activities facilitated by Linden Dollars (L$)
- Freemium model:
  - premium membership permits ownership of virtual land
  - transaction fees charged for currency exchange
In-world Economy & LL Governance

Q3 2005
- Popularity of gathering spots – monetization attempted through subscription & advertisements

Q4 2005
- Bypass of gathering spots allowed – land price upheavals

Q4 2006
- Exchanges of virtual goods & commissioned real estate development fuel economic growth

Q1 2007
- Huge success of virtual gambling

Q3 2007
- Gambling ban - bank runs leading to first recession in SL

Q1 2008
- Interest payment ban – SL banking industry ceases to exist

Q1 2009
- Real world institutions establish significant SL presence

Q2 2009
- Rise of in-world service providers with agile, adaptive structures & expertise in dealing with SL idiosyncrasies
VirtualCircle

- After three years, VC has
  - 3 real employees
  - 3600 virtual employees & sales affiliates
  - 5000 customers each day
  - nearly $200,000 in yearly profits

- Strategic Options
  - Expand into new SL business lines
  - Venture into other VWs
  - Commence RL operations
VC Evolution

- VirtualCircle founded by Stuart O’Brian in Q1 2006
- Revenues through developed land sales, gathering spot advertising, & commercial spot lease fees
- Increasing competition & oversupply of land

Land

Virtual Retailing

- Retail stores to sell virtual furniture, clothing & accessories
- No in-house design: products offered on commission basis
- Leasing & labor costs not scalable

Virtual Sales

- Vending systems & virtual sales affiliates enabled through customized software
- No selling costs: commission based affiliates
- Project based in-world employees

Real Commerce in Virtual Worlds
Real to Virtual Commerce?

Real Retailing

Virtual Selling

Online Retailing

Virtual Vending

Virtual Retailing
Teaching Strategy
**Target Usage**

**Virtual Worlds**
- Introduction
- Underlying technology
- Challenges associated with interfacing with new technological platform

**Future Business Models**
- Virtual Micro Economies foreshadow future of turbulent business environments
- Changes in work associations, leveraged by new ICT

**Entrepreneurship**
- Skills to manage new technology
- Agility & adaptability in dynamic environments
- Temporary work relationships
- Leverage of social networks for economic success
# Teaching Schedule

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<tbody>
<tr>
<td>Introduction to SL</td>
<td>10 mins</td>
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<tr>
<td>Stakeholder Analysis (SL &amp; VC)</td>
<td>20 mins</td>
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<tr>
<td>Discussion of SL as technological &amp; economic platform</td>
<td>20 mins</td>
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<tr>
<td>Recommendations &amp; predictions for VC</td>
<td>10 mins</td>
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<tr>
<td>Key takeaways &amp; theory</td>
<td>10 mins</td>
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Theoretical Underpinnings

  - How underlying VW technologies enable new organizational forms & work mechanisms

- **Shaping Strategy in a World of Constant Disruption** *(Hagel, J., Brown, J.S., & Davison, L. 2008. HBR)*
  - VC as a platform participant & its future strategic options

- Additional complementary readings, videos & links available at case companion website at [www.emory.edu/BUSINESS//VirtualWorldBiz/TN/](http://www.emory.edu/BUSINESS//VirtualWorldBiz/TN/)
The Dawn of the E-Lance Economy

- Impacts of ICT enabled economy over 20 year horizon

- SL technology & market standards enable temporary companies
  - Project based assembly of skills
  - Managers sense environmental changes & assemble capabilities
  - Self managed teams

- VC an example the norm in the digitally enabled future
Shaping Strategy in a World of Constant Disruption

- Platform creation & shaping strategies for providers & participants: framework to analyze SL and VC

- Three participant roles: Influencer, Hedger, Disciple

- VC an Influencer, with SL specific capabilities & influence

- Interoperability will enable optimum Hedger strategy
Key Takeaways

Constantly changing, agile business model suited to hypercompetitive & turbulent SL environment

- Virtual leverage of global labor market
- First mover advantage & technological knowledge
- Knowledge of SL economic mechanisms & stakeholder behavior
Discussion

- Questions?

- Cases in Progress
  - Teleradiology in the Clouds
  - HyperCollaboration Tools (Wave, 12spirits, Mendeley)
  - Kaneva – Attracting developers to a platform

- Please contact us for supplemental materials!
- Reading supplements, videos & online activities available at www.emory.edu/BUSINESS/VirtualWorldBiz/TN/
Questions

- Assess the virtual economy of SL! What are the main economic, technology and policy characteristics?

- Assess VC’s business! What are the key success drivers? How have the businesses lines evolved?

- What are your recommendations for Stuart? How can VirtualCircle expand business in the future?