

# Business in Virtual Worlds

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14 November 2007

# In this presentation

- \* What are virtual worlds?
- \* Where did they come from?
- \* What kinds of virtual worlds are there?
- \* How are businesses using them?
- \* What should you think about if your business wants to use them, too?

# Definitions

# Virtual worlds are:

- ✱ Online
- ✱ Spatial
- ✱ Shared
- ✱ Persistent



**ONLINE**

PLAYERS IN *THE SIMS ONLINE* PRETENDING TO MAKE GARDEN GNOMES



**SPATIAL**

**EVERQUEST WENT TO GREAT EFFORT TO CREATE A SENSE OF PLACE-NESS**



**SHARED**

A CHRISTMAS PARTY IN *ULTIMA ONLINE*



# PERSISTENT

*WORLD OF WARCRAFT* IS STILL “THERE” EVEN IF YOU’RE NOT LOGGED IN





# AVATARS

AVATARS IN VARIOUS VIRTUAL WORLDS (TOP CENTER: JUDGE RICHARD POSNER)

**“VIRTUAL REALITY”**

**≠**

**“VIRTUAL WORLD”**

# Virtual reality:

**“THE COMPUTER-GENERATED SIMULATION OF A THREE-DIMENSIONAL IMAGE OR ENVIRONMENT THAT CAN BE INTERACTED WITH IN A SEEMINGLY REAL OR PHYSICAL WAY BY A PERSON USING SPECIAL ELECTRONIC EQUIPMENT, SUCH AS A HELMET WITH A SCREEN INSIDE OR GLOVES FITTED WITH SENSORS”**



**“VIRTUAL REALITY”**  
THINK PEOPLE WEARING FUNNY HEADGEAR

# History

Happy Halloween!!!

You are invited to check out Section 9,  
our discussion forum for MUD players.

Please direct your browser to:  
<http://www.british-legends.com/Forums/S9.htm>

\*~\*

```
*****
* MUD2.COM is where you'll find the next generation *
* version of MUD1/British Legends. Another creation *
*   of Richard Bartle, MUD2 offers many extras,     *
*   including smart mobiles, new areas, and more.    *
*       Why not open a trial account today?         *
*****
```

Origin of version: Sun Nov 11 15:41:59 2007

Welcome! By what name shall I call you?

**1979: TEXT-ONLY WORLDS**

*MUD1*

```
lennon 4>telnet lambda.moo.mud.org 8888
Trying 209.1.106.178 ...
Connected to lambda.moo.mud.org.
Escape character is '^]'.
```

```
*****
* Welcome to LambdaMOO! *
*****
```

Running Version 1.8.0r5b of LambdaMOO

PLEASE NOTE:

LambdaMOO is a new kind of society, where thousands of people voluntarily come together to create a world. What the people say or do may not always be to your liking; as when visiting any international city, it is wise to be careful of what you say. The operators of LambdaMOO have provided the materials for the buildings of this community, but are not responsible for what is said or done in them. In particular, you must assume responsibility if you permit minors or others to access LambdaMOO through your facilities. The statements and viewpoints expressed here are not necessarily those of the wizards, Pavel Curtis, Stanford University, or Placeware Inc., and those parties disclaim any responsibility for them.

NOTICE FOR JOURNALISTS AND RESEARCHERS:

The citizens of LambdaMOO request that you ask for permission from all direct participants before quoting any material collected here.

For assistance either now or later, type 'help'.

The lag is approximately 3 seconds; there are 199 connected.

# CA. 1990: SOCIAL, CREATIVE WORLDS

## LAMB DAMOO



CA. 1992: GRAPHICAL WORLDS

*NEVERWINTER NIGHTS (AOL)*





**CA. 1996: THREE-DIMENSIONAL WORLDS**

**MERIDIAN 59**



**1997: MASS-MARKET SUCCESS**

*ULTIMA ONLINE*



**TODAY: HUGE MARKET, HUGE PROFITS**

*WORLD OF WARCRAFT*

# **Kinds of worlds**

sovereignty  
constellation  
region  
security Level

- > Band of Brothers
- > W-401E
- > Delye
- > 0.0



# COMPETITIVE GAMES

EVE ONLINE



**SOCIAL (LIFELIKE)**

**THERE.COM**



timma: hey

Apparatus: what's up?

timma: not much. u?

illi: yo

timma  
what's all that about?

# SOCIAL (FANCIFUL)



# SOCIAL (KID-ORIENTED)

CLUB PENGUIN





# EDUCATIONAL (PROFESSIONAL TRAINING)

FORTERRA-PRODUCED WORLDS FOR MEDICAL AND MILITARY TEAMS



## EDUCATIONAL (ACADEMIC)

REBECCA NESSON TEACHES A HARVARD EXTENSION CLASS IN *SECOND LIFE*



## **CIVIC (TRADITIONAL)**

**VIRTUAL HOUSE OF REPRESENTATIVES HOSTS EVENTS IN *SECOND LIFE***



## CIVIC (EXPERIMENTAL)

NYLS'S "DEMOCRACY ISLAND" IN *SECOND LIFE* USED TO PLAN A PARK LAYOUT



**CREATIVE**

**ABBOTT'S AERODROME (USER-CREATED) IN *SECOND LIFE***

### WHAT IS SECOND LIFE?

#### The World

- Create an Avatar
- Explore
- Meet People

## Terms of Service

Welcome to Second Life! The following agreement (this "Agreement" or the "Terms of Service") describes the terms on which Linden Research, Inc. ("Linden Lab") offers you access to its services. This offer is

Search Second Life

**JOIN NOW**

*Free Basic Membership*

### Resident Referral

Tell your friends about Second Life.

[MORE](#)

### Islands

Buy your own island today!

[MORE](#)

### Got Questions?

Get the answers from our support channels!

[MORE](#)

## Land Auctions

Get land for your own dream house, business, or island. **Bid Now!**

**3.2 YOU RETAIN  
COPYRIGHT AND OTHER  
INTELLECTUAL PROPERTY  
RIGHTS WITH RESPECT  
TO CONTENT YOU CREATE  
IN SECOND LIFE . . .**

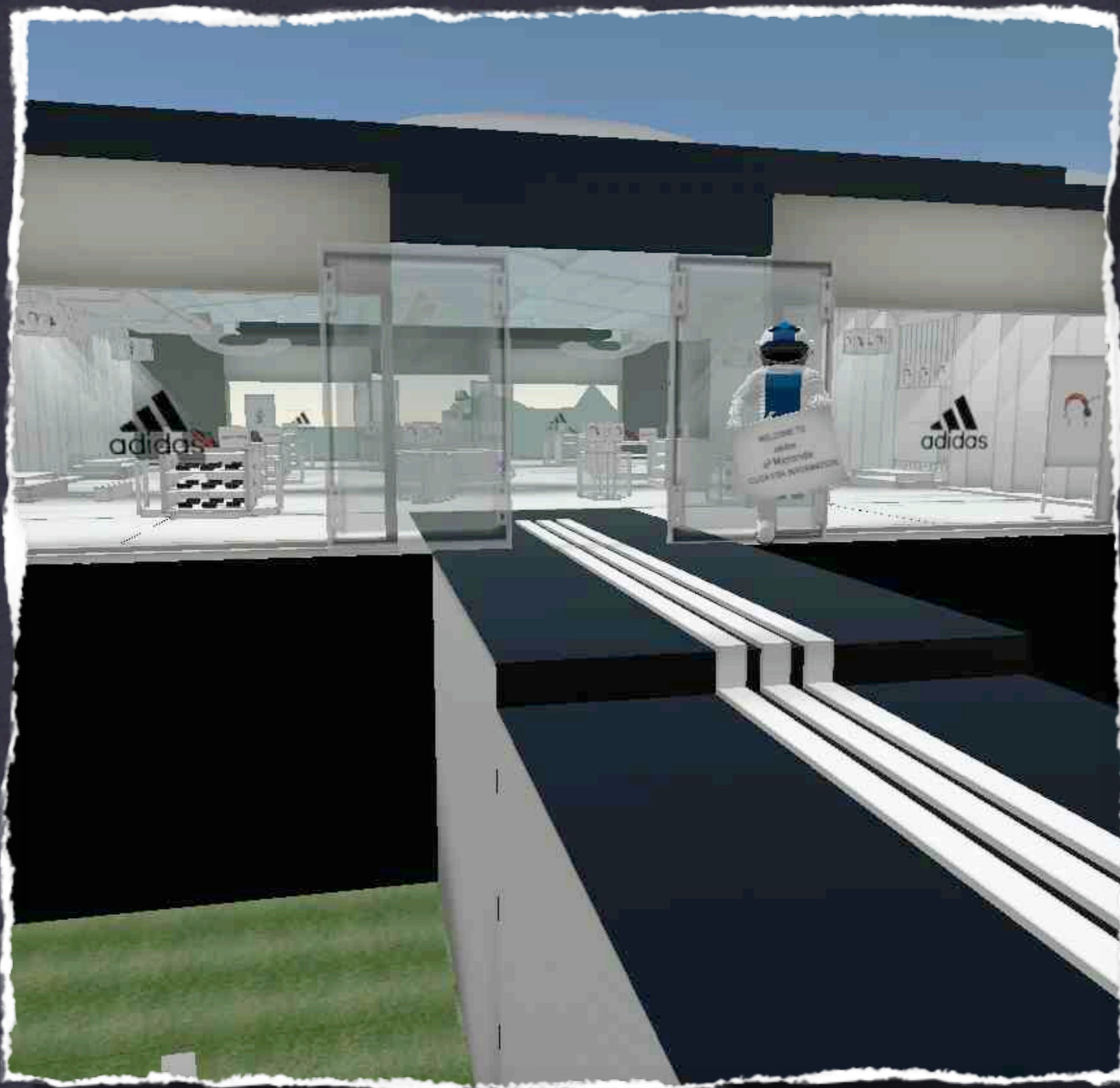
**DEVELOPMENT-FRIENDLY IP POLICY**

*SECOND LIFE'S TERMS OF SERVICE*



# INTELLECTUAL PROPERTY EXPORTS

"TRINGO" CREATED IN *SECOND LIFE*, LICENSED FOR GAME BOY ADVANCE AND PC



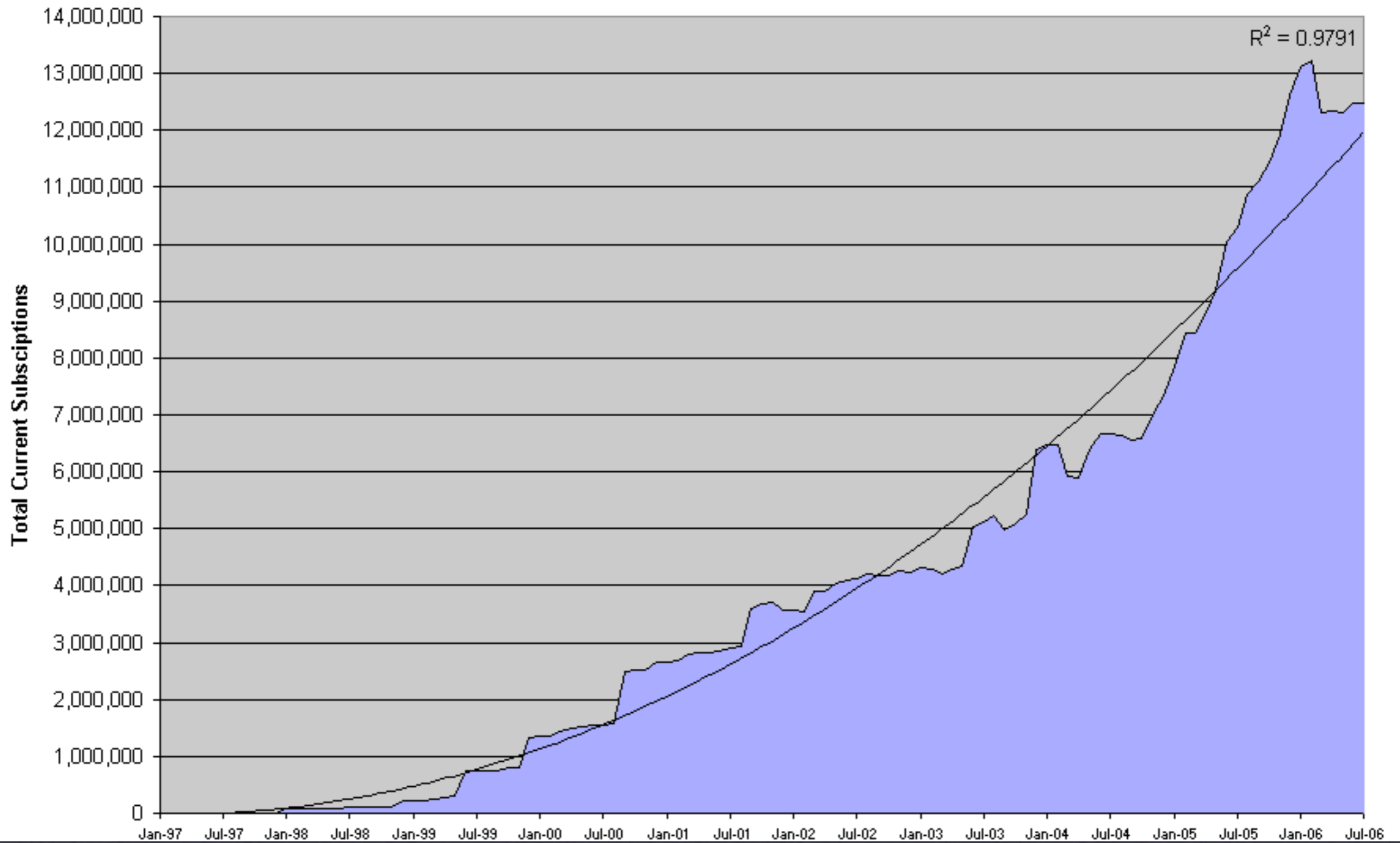
# INTELLECTUAL PROPERTY IMPORTS

ADIDAS STORE IN *SECOND LIFE*



# **Business Opportunities**

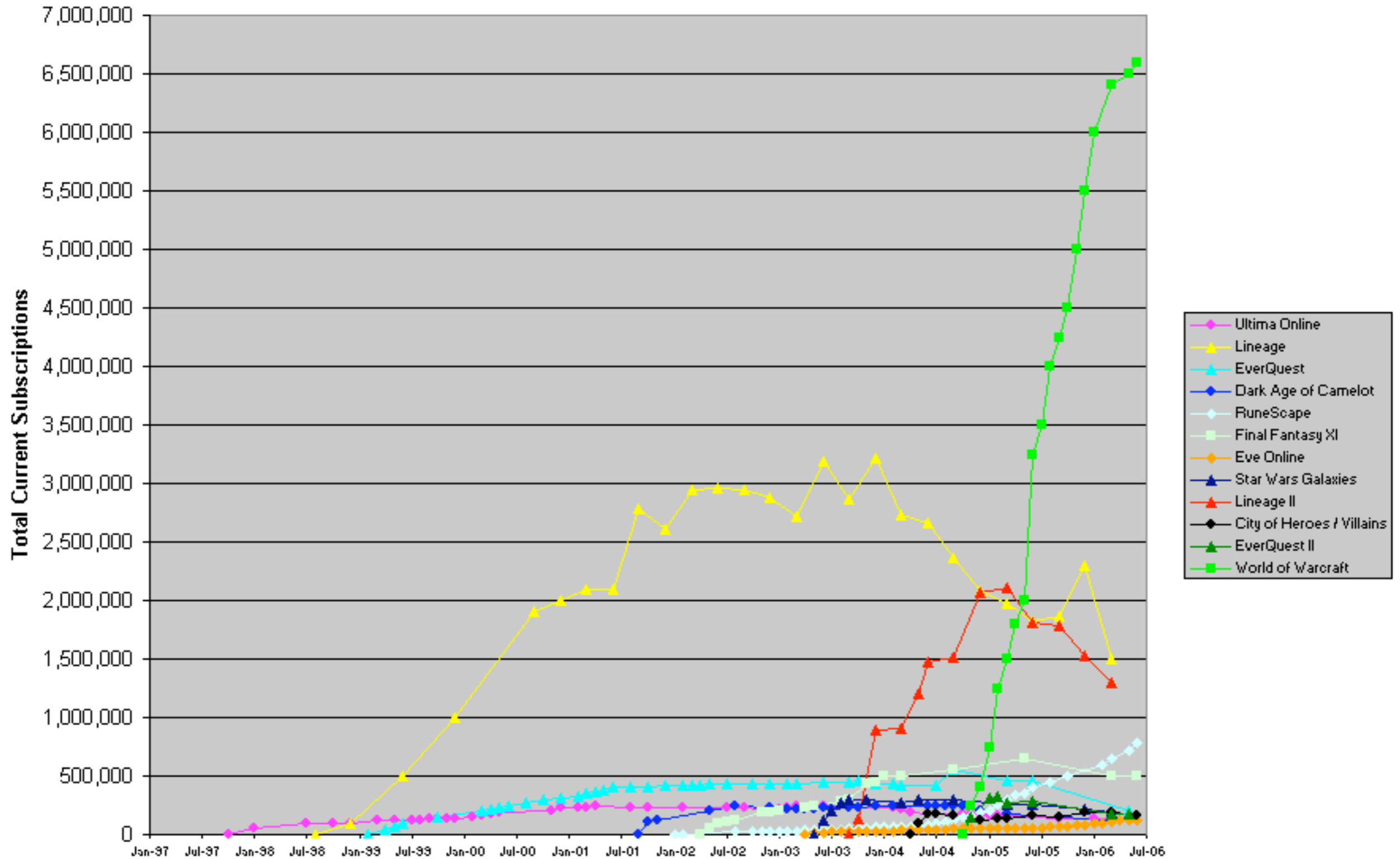
## Total MMOG Active Subscriptions



# 1) MAKING VIRTUAL WORLDS

TOTAL SUBSCRIPTIONS PASSED 10 MILLION IN 2005

## MMOG Active Subscriptions 21.0 120,000+



# 1A) SELLING SUBSCRIPTIONS TO CONSUMERS

*WORLD OF WARCRAFT HAS MORE THAN 8,000,000 SUBSCRIBERS AT \$15/MONTH*



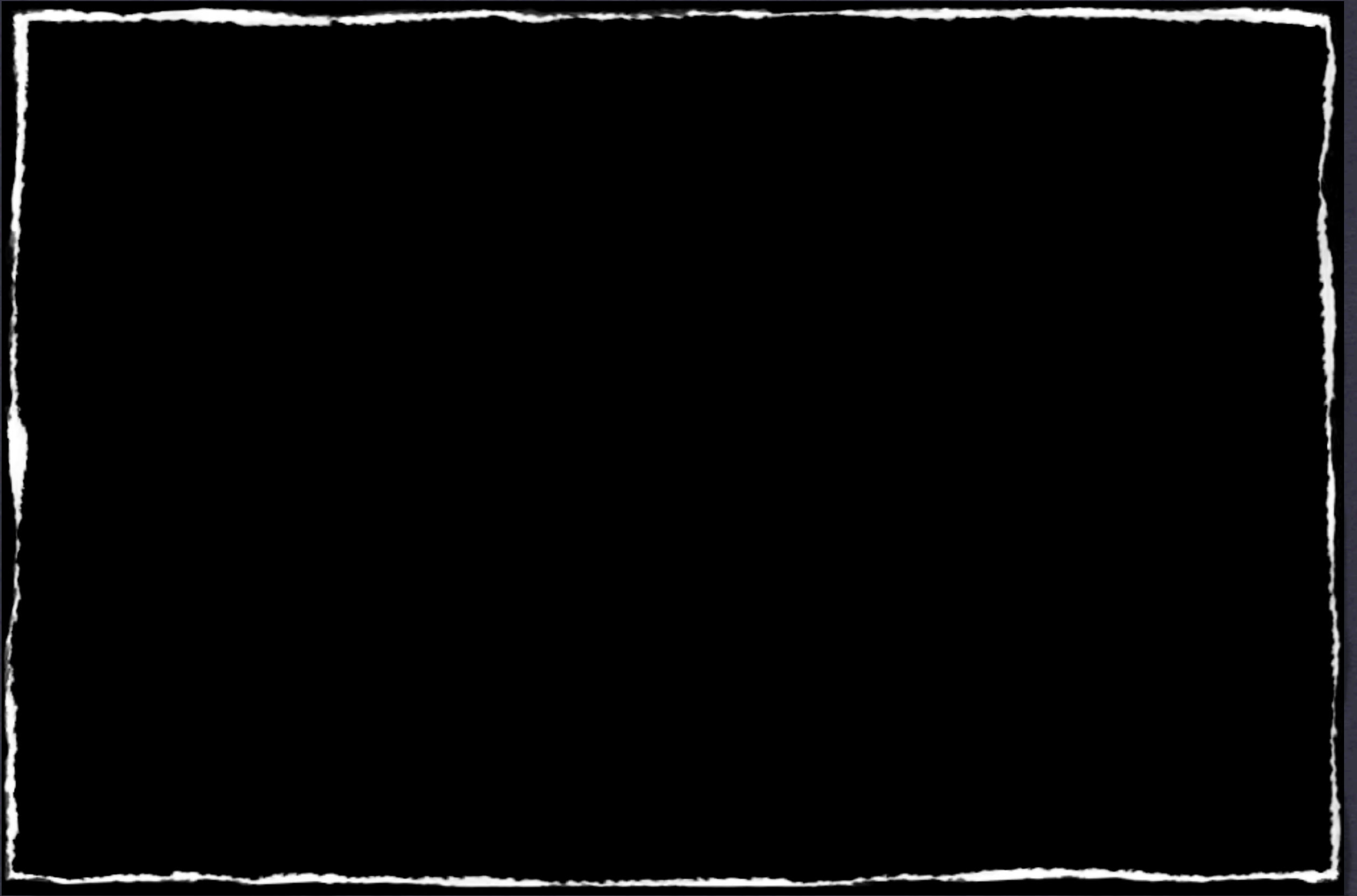
## 1B) SELLING ANCILLARY MERCHANDISE

WORLD OF WARCRAFT LICENSED CLOTHING, NOVELS, FIGURES, ETC.



## 2) ADVERTISING

URL SPELLED OUT IN DEAD DWARF CHARACTERS IN *WORLD OF WARCRAFT*



## **2A) PLAYERS AS MARKETING DEMOGRAPHIC**

**FARMERS' INSURANCE ADVERTISEMENT**



## 2B) TRADITIONAL ADVERTISING IN-WORLD?

CASTROL AD IN NEED FOR SPEED



**Want a  
FREE**



**desktop computer?**



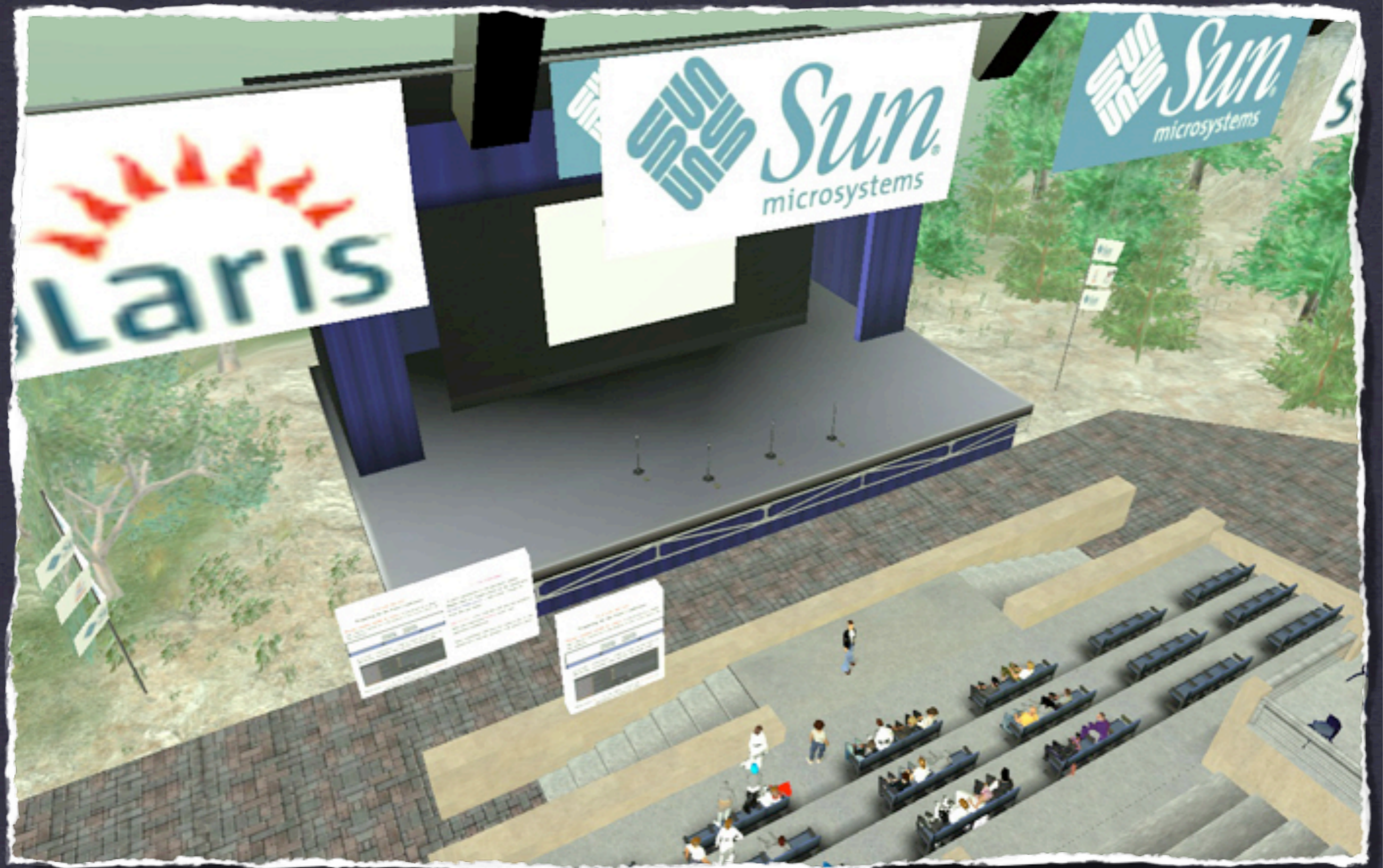
**Click here  
for info!**



**IN-WORLD BILLBOARD ADVERTISING = SPAM**

**BILLBOARD IN *SECOND LIFE***





## 2C) WORLD-SPECIFIC PROMOTIONAL CONTENT

SUN MICROSYSTEMS PAVILION IN *SECOND LIFE*



## 2D) CROSS-MEDIA PROMOTIONS

“VIRTUAL CSI:NY” CRIME LAB IN *SECOND LIFE* TIED TO EPISODE OF TV PROGRAM



## 2E) INTERACTIVE OPPORTUNITIES FOR FEEDBACK

STARWOOD'S "ALOFT" PROTOTYPE HOTEL IN *SECOND LIFE*



## 2F) FIRST-MOVER ADVANTAGE

IBM WELCOME CENTER IN *SECOND LIFE*



### **3) SELLING VIRTUAL GOODS AND SERVICES**

**ALLIN GRAEF/ANSHE CHUNG: VIRTUAL WORLD ENTREPRENEUR; REAL-LIFE MILLIONAIRE**

Source	Year	Volume (US\$)
Castrotonova	2001	5,000,000
Castrotonova	2004	100,000,000
Salyer	2004	880,000,000
Korean gov't	2006	830,000,000
Chinese gov't	2006	901,000,000

## **HUGE MARKET IN VIRTUAL-ITEM SALES**

ESTIMATES COMPILED BY TUUKKA LEHTINIEMI AND VILI LEHDONVIRTA IN 2007



### 3A) CONTENT SCREENED BY WORLD COMPANY

NIKE SHOES AND CLOTHES FOR SALE IN *THERE.COM*



## 3B) USER-GENERATED CONTENT

BECKY'S WOODSHOP, A USER-CREATED STORE IN *SECOND LIFE*





## 3C) CONTENT IMPORTED FROM REAL LIFE

AMERICAN APPAREL STORE IN *SECOND LIFE* SOLD VERSIONS OF REAL-LIFE CLOTHES



## 3D) IN-WORLD VERSIONS OF REAL-LIFE SERVICES

COLDWELL BANKER (VIRTUAL) REAL ESTATE OFFICE IN *SECOND LIFE*



## 4) INTERNAL-USE VIRTUAL WORLDS

IBM'S BUSINESS CENTER IN *SECOND LIFE*



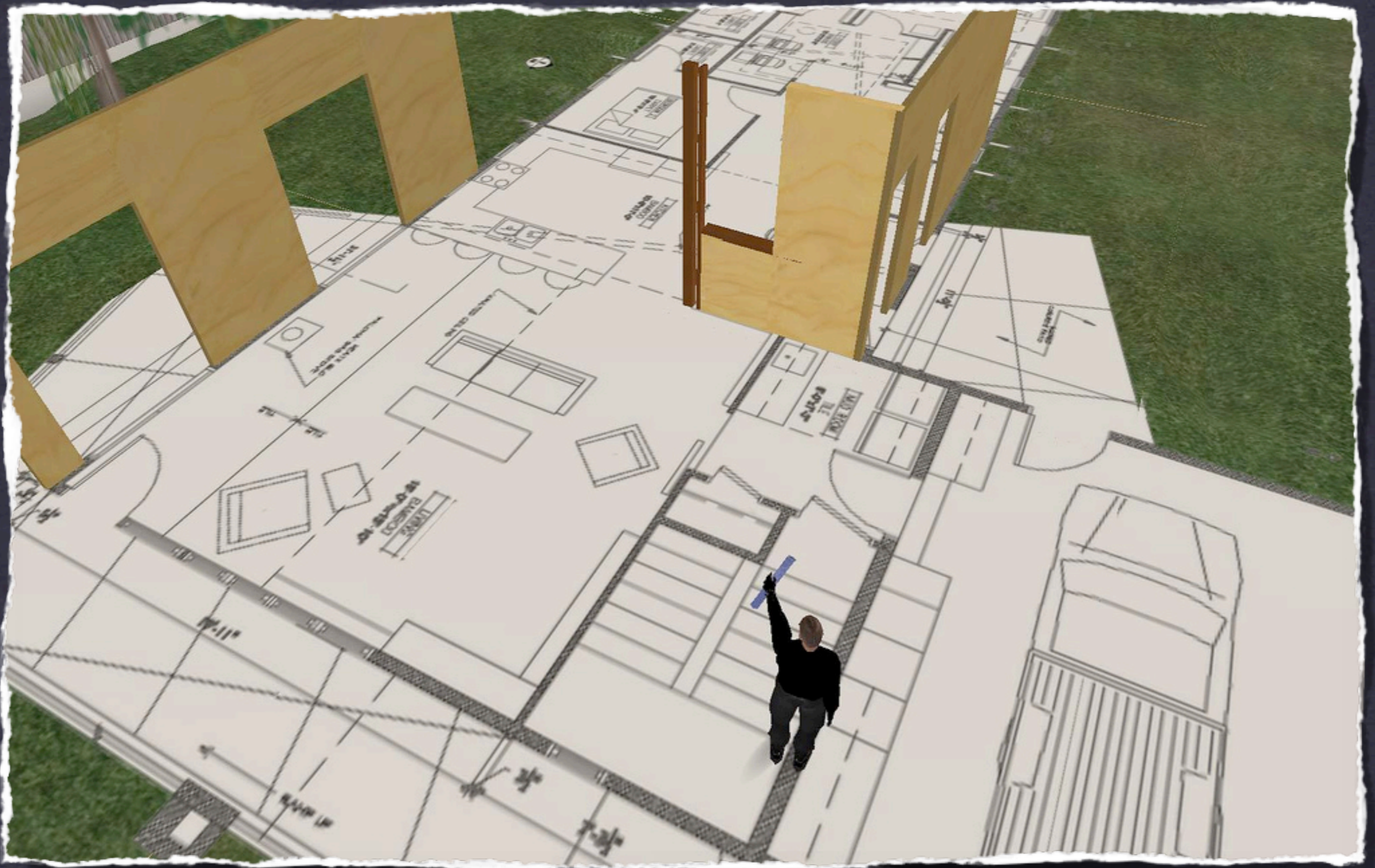
## 4A) TRAINING

VIRTUAL WORLD PRODUCED BY FORTERRA FOR THE U.S. ARMY



## 4B) CONFERENCING

LINDEN LABS, MAKERS OF *SECOND LIFE*, HAVE UI DESIGN MEETING IN-WORLD.



## 4C) COLLABORATIVE DESIGN

THE "PLAN IMPORT" TOOL IN *SECOND LIFE*

# **Business Risks**

**VIRTUAL WORLDS**

≈

**UNSTABLE COUNTRIES**





*rivers run re*  
the immersive spaces comp

**Millions of Us**



# 1) GOING IT ALONE CAN BE HARD

VIRTUAL-WORLD CONSULTANTS AND BUILDERS HAVE VALUABLE EXPERTISE

**WHAT IS SECOND LIFE?**

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**Islands**

Buy your own island today!

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Get answers from our support channels!

[MORE](#)**Land Auctions**Get land for your own dream house, business, or island. **Bid Now!**[FAQS](#)

for use with Second Life (the "APIs"), and access to the websites and services available from the domain and subdomains of <http://secondlife.com> (the "Websites"). The Servers, Viewer, APIs, and Websites, and any other Linden Software collectively constitute the

**YOU UNDERSTAND AND AGREE THAT LINDEN LAB HAS THE RIGHT, BUT NOT THE OBLIGATION, TO REMOVE ANY CONTENT (INCLUDING YOUR CONTENT) IN WHOLE OR IN PART AT ANY TIME FOR ANY REASON OR NO REASON, WITH OR WITHOUT NOTICE AND WITH NO LIABILITY OF ANY KIND.**

## 2) VIRTUAL WORLDS ARE DICTATORSHIPS

*SECOND LIFE'S TERMS OF SERVICE*



### **3) DISRUPTIONS AND PROTESTS ARE COMMON**

**“NAKED DWARF” PROTEST MARCH IN *WORLD OF WARCRAFT***



# POLITICAL PROTEST

PROTEST AGAINST LE PEN IN *SECOND LIFE*



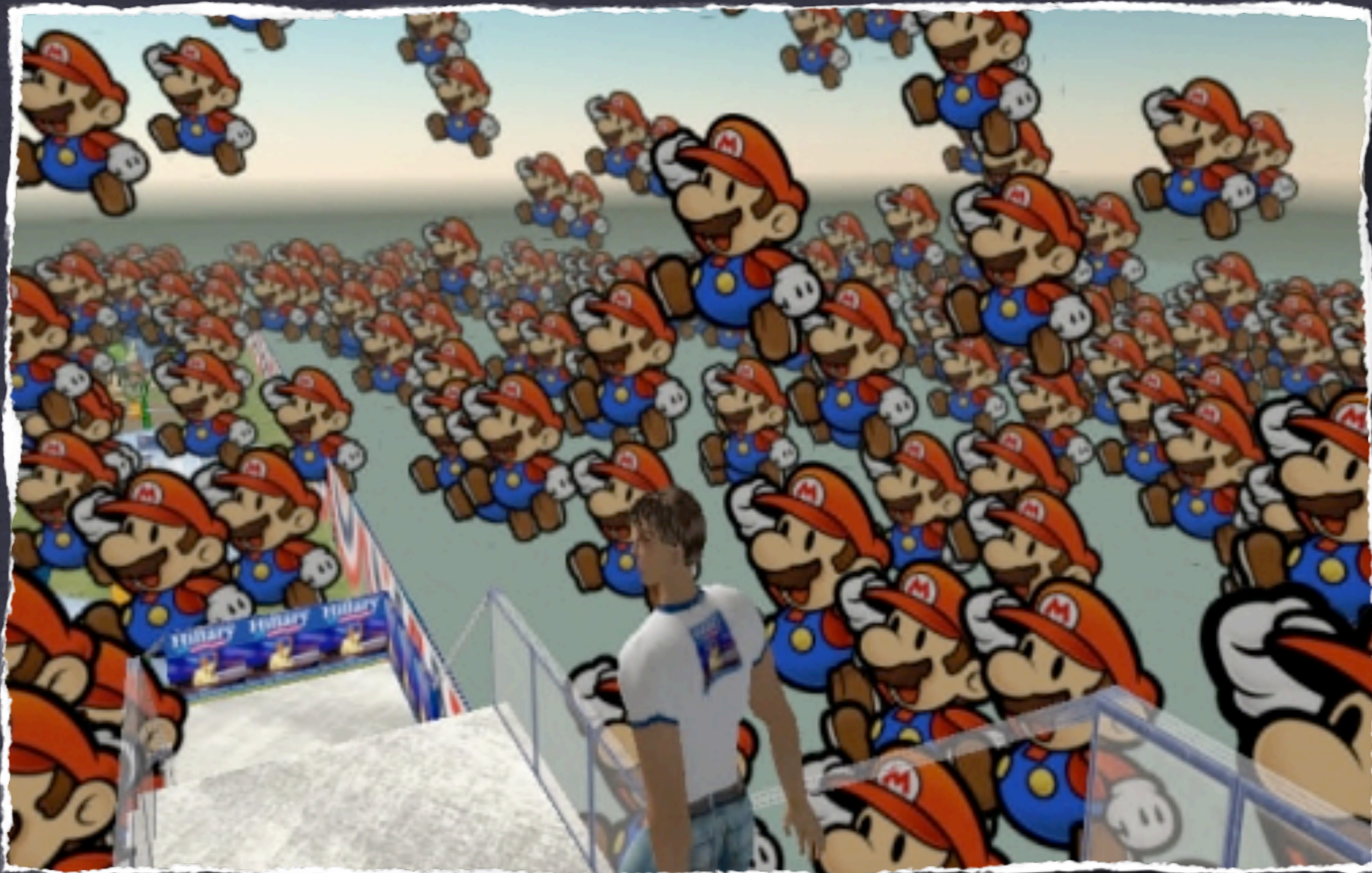
## VIRTUAL PROTESTS CAN BE ANTI-CORPORATE

TOYOTA'S *SECOND LIFE* SHOWROOM IS BESET BY MISSILES MAKING LOUD NOISES



# VANDALISM IS FREQUENT

JOHN EDWARDS'S *SECOND LIFE* HEADQUARTERS DEFACED BY VANDALS



**VIRTUAL PROTESTS CAN BE HIGHLY DISRUPTIVE**


HILLARY CLINTON'S *SECOND LIFE* HEADQUARTERS OVERRUN BY PAPER MARIOS






**4) SOME BUSINESS MODELS DON'T FIT IN WELL**  
SCIONS IN *SECOND LIFE* (WHERE EVERYONE CAN FLY) USEFUL ONLY FOR HORSEPLAY





REUTERS 

SECOND LIFE NEWS CENTER 

SECOND LIFE LINKS:   SCIENTISTS USE BRAIN WAVES TO STROLL THROUGH VIRTUAL WORLD Search

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**HOME** SECOND LIFE NEWS

**SECOND LIFE**

- The Blog
- Business
- Community
- Economy
- Interviews
- Lifestyle
- Warren Ellis

**REUTERS NEWS**

- Top News
- Technology
- Oddly Enough
- Entertainment

**REUTERS VIDEO**

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**This week's events from the AvaStar**  
 Fri Nov 9, 2007 1:11pm PST  
 Britain's Remembrance Day, a German film script contest, and more.

**Merchants decry Second Life copyright chaos**  
 Wed Nov 7, 2007 3:11pm PST  
 As Second Life grows larger and the base of entrepreneurs who center their real-world income on dealing in virtual goods expands, copyright infringement and trademark protection has emerged as one of the most pressing problems affecting in-world businesses. But the laws and procedures for Second Life-based businesses to follow if their products are copied remains unclear.

**Linden Lab investor sold 10 percent stake — report**  
 Mon Nov 5, 2007 1:11pm PST  
 Catamount Ventures, an early investor in Linden Lab, sold a 10 percent stake in the company to an unknown third party for at least US\$500 million earlier this year, the Web site TechCruch reported on Monday.

- Linden: "No firm evidence" of wrongdoing at Wonderland
- Eros lawyers ID 'John Doe' avatar; Youth denies he's Catteneo
- Residents threaten lawsuit to force landbot ban
- Second Life Sketches: I Am Legend
- Modest rebound in user hours, premium accounts
- Omnicom buys stake in Millions of US
- Companies shifting virtual world strategies

**THE BLOG**


**Study finds sex, gambling not major Second Life draws**  
 If there's no "goal" to Second Life, no monsters to kill or experience points to collect, why do so many people log on and spend so much time there? Everyone has their theories, but a new academic study suggests cybersex and gambling are less of a lure than is often assumed.

**UK to investigate pedophilia in virtual worlds**  
 British cops will be going undercover in Second Life to investigate depictions of adult-child sex and track down pedophiles, according to a report by Channel Five News that is set to air on Tuesday.

**Greetings from the Virtual Worlds Forum, Europe**  
 I'm moderating four panels at the Virtual Worlds Forum in London on Wednesday. If you have any questions you'd like me to pose to the


**CHARTS**

Linden Dollar vs US Dollar  
 266.5 L\$/USD as of 1:00pm PST



12 Nov 7:30am 9:30am

US Dollars spent in Second Life of \$1,247,742 as of 12:29pm PST



**SOME BUSINESS MODELS DO FIT IN WELL**  
**THE REUTERS SECOND LIFE BUREAU DOES REAL JOURNALISM**



## 5) INAPPROPRIATE BRAND EXPOSURE

“AMSTERDAM” IN *SECOND LIFE* INCLUDES A RED-LIGHT DISTRICT

# Final Thoughts

# A few pieces of advice

- \* In-world ventures should fit both your business and the world.
- \* Most of the publicity comes in the initial splash.
- \* If you plan on staying, make your presence active.
- \* Different virtual worlds have very different cultures.
- \* Treat *all* your customers, virtual and real, with respect.

**Good luck!**