

# Chapter 14

## From Real to Virtual and Back Again: The Use and Potential of Virtual Social Worlds within the IT Industry

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### ABSTRACT

*Researchers and practitioners alike have speculated that virtual social worlds and social gaming will likely be major platforms for business operations in the future. This chapter shows how major IT companies make use of virtual social worlds (esp. the online application Second Life), focusing on the examples of Dell, Hewlett-Packard, International Business Machines (IBM) and Microsoft. Specifically, the authors investigate whether and how corporate presences within Second Life can be used as platforms to distribute Real Life products and services, so-called virtual commerce (v-Commerce). They show that although the four firms included in our analysis all have a different perspective on the potential of virtual social worlds, each of them made an active and conscious choice about how to use this medium. With regard to v-Commerce, their results indicate that although the short-term profit potential of this form of distribution is still limited, Second Life residents perceive the idea of buying products through in-world stores as positive and exciting. Based on these results, they derive a set of key insights regarding the business potential of virtual social worlds, consumers' reactions towards corporate presences within Second Life, and advice for firms planning to enter this type of application.*

### INTRODUCTION

In May 2008, the market research company Gartner, Inc. (Stevens & Pettey, 2008) estimated that

by 2012 around 70 percent of all organizations will have established their own private virtual world. They furthermore forecast that “nine out of ten business forays into virtual worlds fail within 18 months but their impact on organizations could

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be as big as that of the Internet” (Stevens & Pettey, 2008). In a similar spirit Ives and Junglas (2008) predict that virtual worlds will likely be major platforms for business operations within ten years time and Kaplan and Haenlein (2009a) state that virtual worlds are “associated with a set of specific characteristics that offer unique challenges and business opportunities” which make them a “virtually unexplored marketing territory” (Hemp, 2006). These comments show that although press coverage about virtual worlds and social gaming decreased over recent months, many experts still believe in the upside potential of this type of applications. The intention of our manuscript is to continue this line of thought and to show how major IT companies make use of virtual social worlds (esp. the online application Second Life). For this, we focus on the examples of Dell, Hewlett-Packard (HP), International Business Machines (IBM) and Microsoft – all major players in the IT sector – and present the different views these companies have on virtual worlds. Specifically, we are interested in the question whether and how corporate presences within Second Life can be used as platforms to distribute Real Life products and services, so-called virtual commerce (v-Commerce). An analysis of v-Commerce appears particularly important as the growth and evolution of the World Wide Web, as we know it today, has been heavily triggered, shaped and influenced by the corporate use of this medium for the distribution of products and services. Today e-Commerce in its various forms accounts for an important share of all activities on the World Wide Web (for a historical analysis of e-Commerce see: Heng, 2003) and it therefore makes sense to expect v-Commerce to be a similar trigger of virtual world growth and success.

To achieve this objective, our manuscript is structured as follows: In the next two sections, we provide readers with a brief introduction into the virtual social world “Second Life”, by highlighting its concept and key functionalities as well as its theoretical foundations, and discuss the ways in

which this application differs from other forms of social media, such as blogs, collaborative projects (e.g. Wikipedia), content communities (e.g. YouTube), social networking sites (e.g. Facebook) and virtual game worlds (e.g. World of Warcraft). We then provide an in-depth analysis of how Dell, HP, IBM and Microsoft use Second Life as well as the strategies these companies intend to accomplish by its usage. Subsequently, we focus on the question whether and how virtual worlds can be used as a platform for v-Commerce using the example of Dell Island. We report the results of two customer surveys regarding users’ reactions to Dell Island as well as v-Commerce in general and of one interview with Laura P. Thomas (alias *Pyrrha Dell*), the person behind Dell’s Second Life strategy. Our article finishes with a discussion of the key insights obtained from our analysis, focusing on three areas: the business potential of virtual social worlds, consumers’ attitudes towards corporate presences within Second Life and advice for firms planning to enter virtual worlds.

## **SECOND LIFE: CONCEPT AND KEY FUNCTIONALITIES**

Second Life is a three-dimensional virtual world that has been created by the San Francisco-based company Linden Research, Inc. Users (who are called “residents”) can enter it through a downloadable client program and subsequently interact with each other, explore their environment or create new content within the world. Although Second Life had already been launched in 2003, it did not become popular before late 2006, when Linden Research partly abandoned its initial subscription fee-based model and introduced basic (free) accounts next to its fee-based premium services. Since then it has, however, recorded an exponential growth with an estimated 19 million registered residents in 2009. Given that Second Life is a virtual world, residents appear in it in the form of personalized avatars. These avatars

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