Chapter 39
A Business Model Framework for Second Life

Alessia D'Andrea
National Research Council, Italy

Fernando Ferri
National Research Council, Italy

Patrizia Grifoni
National Research Council, Italy

ABSTRACT

This chapter provides a framework to analyse the marketing and promotion advantages of Virtual Communities. Virtual Communities offer companies the possibility to carry out a new products and services promotion and to develop trustful relationships with customers. The key element in the use of Virtual Communities for these purposes is the wide amount of customers that can be reached. Virtual Communities present the aptitude to generate social influence and knowledge sharing among customers. As a consequence, it brings out the increasing number of skills, competencies and "knowledge profiles" of each customer involved in the virtual environment. The framework is consequently applied to Second Life in order to analyse three different business strategies that companies usually implement by using this platform. The first strategy allows companies to perform the placement of their products/services in a dynamic form. The second strategy provides companies the possibility to have a better knowledge of customers' needs in order to develop products and services that satisfy customer's expectations. Finally, the third strategy allows companies to develop high brand awareness.

1. INTRODUCTION

The advent of digital economy has given rise to the design and implementation of new business models. In this scenario a deep innovation has been produced by Virtual Communities (VCs). The history of the term virtual community can be traced back to a time long before the rise of the Internet. The term indicates a web-based services that allow individuals to (i) construct a public or semi-public profile, (ii) articulate a list of other users with whom they share a connection, and

(iii) view and traverse their list of connections and those made by others within the community (Ellison, 2007). There are many descriptions of the VCs that depend upon the perspective from which they are defined which may be multi-disciplinary: sociology, technology and business. From the sociology perspective VCs are defined based on its physical features or the strength and type of relationship. Etzioni & Etzioni (1999) view VCs from the perspective of bonding and culture and define it as having two attributes namely, a web of affect-laden relationships encompassing group of individuals (bonding) and commitment to a set of shared values, mores, meanings and a shared historical identity (culture). Romm et al. (1997) define VCs as group of people who communicate with each other via electronic media, such as the Internet and share common interests unconstrained by their geographical location, physical interaction or ethnic origin. Ridings et al. (2002) define VCs as groups of people with common interests and practices that communicate regularly and for some duration in an organized way over the Internet through a common location or mechanism. The technology perspective refers to VCs based on the software supporting them like list server, newsgroup, bulletin board and Internet Relay Chat (IRC). These software technologies support the communication within the network, and help in creating the boundaries (Lazar, 1999). Hagel & Armstrong (1997) take a business perspective and define VCs as groups of people drawn together by an opportunity to share a sense of community with like-minded strangers having common interest. The business potential of VCs is mainly given in terms of added value they provide, resulting from a new combinations of information, products and services and an innovative integrations of resources, roles and relationships between companies and customers. VCs present significant business opportunities because they offer excellent marketing and promotion advantages. First of all, they provide customers the possibility to establish an easy interaction/communication with others customers and/or with the company without spatial and temporal constraints and with reduced search costs. VCs also have the advantage to be delivered and accessible 24 hours a day and 7 day a week. This allows customers to access every time to all the necessary information about products and services offered by companies. There are many virtual communities, of which Second Life (SL) is one of the most prominent. SL is having an evolution similar to that the Internet had in the mid nineties and it is deeply impacting the way to do business. Created in 2003 by Linden Research Inc, this 3-D virtual community is driving new forms of Internet-based communication, networking and collaboration by customers and companies. Many companies such as American Apparel, Toyota, IBM, Nissan etc. are promoting their products and services by using SL platform. On combining different communications channels in SL, companies can enable customers to live an immersive experience. By creating their "Avatars" customers can walk through virtual shopping locations, examine and use virtual products and services and talk with sales people (Subramaniam et al., 2000). The immersive nature of SL allows companies both to develop an interactive business, by involving customers in the products and services development and to enhance the brand awareness, by creating unique branded events to which customers can participate. This chapter provides a framework to analyse the marketing and promotion advantages of VCs. The framework takes into account Internal factors (companies, customers, products/services promotion and financial aspect) and External factors (competitors and technological aspects). The framework is consequently applied to SL in order to analyse the different business strategies that companies usually implement by using SL platform.

The chapter is organised as follow. Firstly we provide a brief literature review on business models categorizations (section two). Section three introduces the framework for analysing the business model of VCs. The framework, applied

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