

Is Second Life Ready for Business?

CASE STUDY

Second Life is a 3D virtual online world created by former RealNetworks CTO Philip Rosedale through Linden Lab, a company he founded in San Francisco in 1999. The world is built and owned by its users, who are called residents. Over 14 million people have signed up to be residents of Second Life's world, also known as the Grid. In July 2008, the usage stats on Second Life's Web site (www.secondlife.com) showed that close to 1.1 million residents had logged in over the previous sixty days. Second Life runs over the Internet using special software that users download to their desktops.

Second Life is not a game. Residents interact with each other in a 3-D social network. They can explore, socialize, collaborate, create, participate in activities, and purchase goods and services. The Second Life Web site says that its world is similar to a massively multiplayer online role playing game (MMORPG) but distinct in that it allows nearly unlimited creativity and ownership over user-created content. When logged in, residents take on a digital persona, called an avatar. Each user may customize his or her own avatar, changing its appearance, its clothing, and even its form from human to humanoid or something altogether different.

Second Life has its own virtual economy and currency. The currency is the Linden Dollar, or Linden for short, and is expressed as L\$. There is an open market for goods and services created on the Grid. Residents may acquire Lindens this way, or by using currency exchanges to trade real-world money for Lindens. The Linden has a real-world value, which is set by market pricing and tracked and traded on a proprietary market called the LindeX. A very modest percentage of residents earns a significant profit from dealing in the Second Life economy. One user, known on the Grid as Anshe Chung, has accumulated enough virtual real estate that she could sell it for an amount of Lindens equaling US\$1 million. More common are the residents who gross enough to cover the expense of their participation in the world. According to statistics issued by Second Life, 389,108 residents spent money on the Grid during June 2008.

Basic membership in Second Life is free and includes most of the privileges of paid membership, except the right to own land. Residents with Premium memberships are eligible to own land on the Grid.

The largest lots, or Entire Regions, measure 65,536 square meters (about 16 acres) and incur a monthly land use fee of US \$195.

Residents create content for the Grid using tools provided by Second Life. For example, the software includes a 3-D modeling tool that enables users to construct buildings, landscapes, vehicles, furniture, and any other goods they can imagine. A standard library of animations and sounds enables residents to make gestures to one another. Basic communication is performed by typing in the manner of an instant message or chat session.

Users may also design and upload their own sounds, graphics, and animations to Second Life. Second Life has its own scripting language, Linden Scripting Language, which makes it possible for users to enhance objects in the virtual world with behaviors.

Although the concept of a 3-D virtual world is in its infancy, this has not stopped businesses, universities, and even governments from jumping into the fray to see what a virtual world has to offer. The hope is that Second Life will be a birthing ground for new industries and transform business, commerce, marketing, and learning the same way that the Web did in the late twentieth and early twenty-first centuries.

The advertising and media industries have been early proponents of the technology, opening virtual offices to facilitate internal communications and to position themselves at the forefront of the digital landscape in order to recruit tech-savvy employees. A Second Life presence may convince potential clients that an advertising agency is on the cutting edge of technology, and therefore able to market to consumers who are there as well.

Crayon is a new-media marketing firm that has purchased an island on the Grid, named Crayonville, to serve as its primary office. With employees scattered in real-world offices on both sides of the Atlantic, Crayonville provides the firm with a new way to bring everyone together, even if the employees are represented by avatars. Crayon leaves its conference room open to the public unless matters of client confidentiality come into play. Employees communicate by text message and with Skype Internet telephony.

Television and media companies such as CNN and BBC have used Second Life to attract viewers who have forsaken television for the Internet or to offer existing viewers a new medium for interacting with their brands.

What about Second Life would encourage companies like IBM to invest \$10 million in exploring the possibilities of virtual business? For one, it can offer the following to support important business functions like customer service, product development, training, and marketing: a three-dimensional space in which a user can interact with visual and auditory content; custom content that can be altered and animated; a persistent presence that remains intact for future work even when users log off; and a community where like-minded people can gather to pursue activities of mutual interest.

IBM employees use their avatars to attend meetings in virtual meeting rooms where they can see PowerPoint slides while reading the text of a meeting or lecture or listen to it via a conference call. Virtual attendees can use instant messaging to send questions and receive answers from other avatars or the lecturer. Lynne Hamilton, who runs professional development classes for IBM's human resources (HR) department, uses Second Life for orienting new employees located in China and Brazil. An HR avatar will give a talk and then respond to text questions from the new employees.

Sears, American Apparel, Dell, Circuit City, and Toyota established a presence on Second Life. These retailers' expectations had been low, but they believed their virtual presence could enhance their brand image and provide new insights into how people might act in the online realm. However, as of the writing of this case, their virtual stores were mostly empty or had shut their doors. The social aspect of the shopping experience is not yet present.

While it is too soon for companies to obtain a return on their investment in Second Life, some have instantly recognized the value of user-created content, user investment, and user input, and the cost-savings of leveraging all for new business opportunities. Prototyping in a virtual world is fast and cheap. Crescendo Design, a residential designer in Wisconsin, uses Second Life's 3-D modeling tools to give clients an inside view of their homes before they are constructed. Clients can suggest changes that would not be obvious from working from traditional blueprints, and the designer avoids mistakes that would be expensive to fix if made in the real world.

Institutions of higher education have created virtual "campuses" where students and faculty can meet for real-time classwork or to hold informal discussions related to their classes. Second Life is a particular boon to distance learning. Insead, an international business school with real-world classes in France and Singapore is building a virtual campus with rooms for virtual classroom lectures, research laboratories, and lounge areas for students to meet with professors, potential employers, and fellow classmates. Instead's Second Life presence will help it reduce travel and physical building expenses while bringing together students and professors from across the globe. Eventually students will be able to download documents, work in teams, and meet alumni online. The Stockholm School of Economics and Duke Corporate Education are also experimenting with Second Life.

Companies such as Hewlett-Packard and global management consultancy Bain and Company, have experimented with Second Life for screening prospective hires. Job seekers create an avatar representing themselves and communicate with executives of prospective employers by exchanging instant text messages. Some interviewees and employers reported trouble designing and controlling the movements of their avatars, and companies still need to interview their final selections face to face. But participating companies have found Second Life useful for narrowing the pool of candidates and trimming recruitment expenses.

From a popularity standpoint, Second Life is far behind social networks such as MySpace, Facebook, and YouTube, which are accessible through a familiar Web browser and do not require any additional software. A user who is willing to take the steps necessary to download and install the Second Life Viewer may find that his or her computer does not meet Second Life's minimum or recommended system requirements. This last factor is especially important for businesses that may need to reconfigure the systems of a large number of employees in order to get them on the Grid.

Sources: Dave Greenfield, "Doing Business in the Virtual World," *eWeek*, March 10, 2008; David Talbot, "The Fleecing of the Avatars," *Technology Review*, January/February 2008; Don Clark, "Virtual World Gets Another Life," *The Wall Street Journal*, April 3, 2008; Andrew Baxter, "Second Life for Classrooms," *Financial Times*, February 29, 2008; Kamales Lardi-Nadarajan, "Synthetic Worlds," *CIO Insight*, March 2008; Alice LaPlante, "Second Life Opens for Business," *Information Week*, February 26, 2007; Anjali Athavaley, "A Job Interview You Don't Have to Show Up For," *The Wall Street Journal*, June 20, 2007; Linda Zimmer, "How Viable is Virtual Commerce?" *Optimize Magazine*, January 2007; Mitch Wagner, "What Happens in Second Life, Stays in SL," *Information Week*, January 29, 2007.