Chapter IV
Virtual Economy and Consumer: How do Consumers Perceive and use Virtual Currency in Web 2.0 Communities?

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ABSTRACT

By expanding the technology acceptance model, this study analyzes the consumer purchasing behaviors with virtual currency in Web 2.0 drawing data from 311 users. This study focuses on which variables influence the intention to transact with virtual currency in Web 2.0. Individuals’ responses to questions about attitude and intention to transact in Web 2.0 were collected and combined with various factors modified from the technology acceptance model. The results of the proposed model show that subjective norm is a key behavioral antecedent to use virtual currency. In the extended model, subjective norm’s moderating effects on the relations among the variables are found significant. The new set of variables can be virtual environment-specific factors, playing as enhancing factors to attitudes and behavioral intention in Web 2.0 transactions. This study provides a more intensive view of Web 2.0 system users and is an important step towards a better understanding of the consumer behavior in Web 2.0.

INTRODUCTION

Web 2.0 encompasses a variety of different meanings that include an increased emphasis on user-generated content, data and content sharing, and collaborative effort, together with the use of various kinds of social software, new ways of interacting with Web-based applications, and the use of the Web as a platform for generating, re-purposing and consuming content (O’Reilly, 2006). One of the most recent examples is the virtual world Second Life. A downloadable software program enables its users (Residents) to interact with each other through motional Avatars, providing an advanced level of a social network service combined with general aspects of a metaverse. Residents can explore, meet other Residents, socialize, participate in individual
and group activities, and create and trade items (virtual property) and services from one another. Second Life’s population is drastically climbing. Currently there are about 7 million users, and forecasts project more than 25 million users by 2008 (Fetscherin & Lattemann, 2007). New business models in virtual worlds have been growing with the popularity of virtual currency. For example, the Second Life economy is growing so fast that the number of Second Life users making more than $5,000 (US) a month continues to grow (Reuters, 2007). Second Life processes over $400,000 worth of virtual currency transactions per day, supports more than 7,000 profitable businesses, and allows top entrepreneurs to earn more than $200,000 per year (Boyd & Moersfelder, 2007).

Residents can make objects and sell them for Linden Bucks (virtual currency in Second Life), which can then be redeemed for cyber-cars, clothes, and houses. Perhaps most important, the virtual currency can be converted into U.S. dollars. The growing popularity of virtual currency is a worldwide trend. The volume of virtual currency has reached several hundred million U.S. dollars a year in China. The so-called QQ coin has become so popular that the country’s central bank is worried that it could affect the value of the real currency. In Japan, over 100,000 users are working as “gold farmers” — playing online role playing games and selling the virtual currency, items, and experience they generate for real world money. Many online game sites in Web 2.0 allow players to exchange virtual currency and items for real money.

This study explores the variables influencing the transaction behaviors with virtual currency in Web 2.0 through user survey research. An empirical assessment of the proposed research model in the Web 2.0 context was conducted for this study. It applies the modified technology acceptance model (TAM) approach incorporating trust, perceived risk, and subjective norm as enhancing constructs to predict users’ motivations for economic activities (transactions, purchasing, and spending using virtual currency) in Web 2.0. Focusing on why users decide and continue to purchase virtual items in Web 2.0, a research question seeks to answer what the motivations are to transact with virtual currency in Web 2.0. This research aims to provide a basic model that predicts consumers’ acceptance of virtual currency by explaining their intentions when using Web 2.0 technologies for transactions. The main research issues are:

1. Predicting the drivers of consumer intentions to accept virtual currency and engage in the transaction behavior in Web 2.0.
2. Deciding whether and how to integrate TAM with the trust and risk literature to jointly predict consumer behavior in Web 2.0 space.

This study applies the structural equation modeling approach, supported by LISREL software, to assess the empirical strength of the relationships in the proposed model. The results of this study should be of interest to both academics and practitioners. From a theoretical perspective, while drawing upon the extended TAM, this study provides a model that identifies antecedents of consumer intention to purchase in the virtual market of Web 2.0. From a practical standpoint, the findings should guide managers in selecting more effective strategies to the virtual consumers in Web 2.0. Implications and directions for future studies are discussed.

LITERATURE REVIEW: DEFINITION AND CURRENT TRENDS OF WEB 2.0

Web 2.0 and Social Commerce

Web 2.0 describes a paradigm shift from the Web as a “passive information resource” to the Web as a “platform for the delivery of engaging services