Chapter 6
Company-Specific Virtual Worlds

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ABSTRACT
The rapid rise of Virtual World technology poses exciting opportunities and complex challenges for businesses. Virtual World technology, for the purpose of business usage, can be defined as any 3D immersive and persistent environment that can be accessed concurrently by multiple people for the purposes of conducting E-Commerce. The purpose of this chapter will be to examine how Virtual Worlds are being used in business today. The authors will reflect on the first wave of companies entering Virtual Worlds, which has yielded some key lessons learned, as well as, evidence to its next phase. By defining the spectrum of different uses of Virtual Worlds, this chapter will cover key lessons learned and guidelines, current barriers to adoption, and the business value of using Virtual Worlds for business purposes. Lastly, the authors will examine future trends in Virtual World technology that relate to future Virtual World E-Commerce growth.

INTRODUCTION
The rapid rise of Virtual World technology poses exciting opportunities and complex challenges for businesses. This chapter will look at how Virtual World technology is used by companies focused on conducting E-Commerce within the Virtual World environment. We will examine common use cases, key lessons learned, barriers to adoption, and what the future may hold.

Virtual World technology, for the purpose of business usage, can be defined as any 3D immersive and persistent environment that can be accessed concurrently by multiple people for the purposes of conducting business. At the present time, we have been through the first wave of companies entering Virtual Worlds (2003 – 2008) and have some evidence as to its next phase. As with many new technologies, this first wave of
Virtual World adoption has been experimental and has generally ended with a lackluster finish. Some important questions will include: Will Virtual Worlds become a broadly accepted platform for E-Commerce? Will Virtual Worlds become the preferred mechanism for engaging and building customer relationships? Will the early adopters of Virtual Worlds create competitive advantage and be able to challenge traditional business models? This chapter will provide some background and evidence to help answer these questions. Let’s start by examining how some companies are using Virtual Worlds today.

COMPANIES IN VIRTUAL WORLDS TODAY

It is not uncommon today for a large business, of any industry, to have already experimented with presence in a Virtual World platform. With hundreds of Virtual World platforms available and an estimated 579 Million Virtual World consumer accounts created, it is no surprise that businesses have taken a keen interest in Virtual Worlds (Keegan, 2009). Forecasts predict that by 2012, this user number could rise to a staggering 1 Billion users (Dejwakh, 2008). On top of that, Gartner estimates that 70% of businesses will have established Virtual World presence by 2012 (Gartner, 2008). If that doesn’t have a company standing up and paying attention by now, Gartner also projects that by year-end 2011 that 80% of active Internet users will have a presence in a Virtual World (Gartner, 2008). The Second Life® virtual economy transacted $360 MM in 2008, which for any E-Commerce platform is a compelling number.

The analyst firm ThinkBalm states that, in interviews with 66 companies using Virtual World technology for business, 40% expect to see positive return on investment (Driver & Driver, 2009). It should be noted, however, that these companies were heavily weighted towards using Virtual Worlds for meetings to reduce travel expenses. For example, IBM recently stated they saved $320,000 in travel expenses by hosting a 300 person private conference in Second Life® (Linden Lab, 2009). This use of Virtual Worlds for professional and industry conferences is likely to continue to develop as big business. While these are impressive numbers, the first wave of company specific usage of Virtual Worlds ended with an estimated 9 out of 10 failures (Gartner, 2008). Failures in this context are Virtual World investments that are not returning value or discontinued all together. Despite the mixed statistics from the first wave, the future of Virtual Worlds for businesses is still vibrant with potential.

Before diving into business specific use cases for Virtual World technology, it is helpful to first comprehend the entire landscape of Virtual World platforms and how they are used. The research firm KZero provides continued research and coverage of Virtual Worlds technology usage globally. The diagrams below from KZero provide an excellent overview of Virtual Worlds today, both in their current categories and the specific Virtual World platforms deployed. The first diagram (Figure 1) represents the number of accounts registered by age group for all major Virtual World platforms. It also shows the growth in user numbers from when each Virtual World platform started until present time.

The next diagram (Figure 2) from KZero represents the groupings of Virtual Worlds by types or sectors, again with an overlay of age group categories. The range of Virtual World platforms presented in these diagrams demonstrate the diversity in usage and median age. The diversity presents a significant challenge for businesses looking to determine how to leverage Virtual Worlds. It is important for businesses to closely examine the different types of Virtual World platforms for the target content and resident demographic in order to find those that best align to their market focus. It is not sufficient to de-