Chapter 5

Understanding Purchasing Behavior within Virtual Worlds: Planned Purchases and Impulse Buying

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ABSTRACT

Although the hype around virtual worlds has slowed down in recent months, chances are high that this type of social media will increase in importance over years to come. Many companies which pioneered in entering virtual worlds have left these environments after their first steps. One of the reasons for these initial failures is likely the lack of understanding of in-world consumers and their expectations toward virtual commerce. The purpose of the authors’ chapter is therefore to investigate consumer purchase behavior within the virtual social world Second Life. Specifically, the authors analyze the types of purchase behavior consumers show within such an environment (planned purchases vs. impulse buying) and the factors that influence the decision to buy virtual products and services in exchange for real life money. For this, the authors’ study is based on a combination of a qualitative pre-study consisting of 29 in-depth interviews and a quantitative analysis based on responses obtained from a representative sample of 580 Second Life residents. The authors’ analysis results in the following three findings: First, the authors show that Second Life residents engage in two different types of purchase behavior: planned purchases and impulse buying. Second, the authors show that traditional consumer behavior theories and concepts can be transferred to similar behavior in a virtual world, although with different degrees of importance for different variables. And finally, the authors show that a Second Life resident’s usage intensity and consumption experience have a significant moderating influence on planned purchase behavior but not on impulse buying. From a managerial perspective, the authors’ results imply that Real Life companies that maintain Second Life flagship stores may consider communicating about their virtual products and services within real life. Additionally, Second Life stores should try to make the

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INTRODUCTION

Although the hype around virtual worlds has slowed down in recent years, chances are high that this type of social media will increase in importance over years to come (Gartner Inc., 2008). Many of the pioneers who first entered this domain have failed miserably and abandoned their activities in the meantime (Rowan, 2009). Nevertheless it appears clear that virtual worlds, together with other types of social media, such as collaborative projects, content communities, social networking sites, and micro-blogging services (Kaplan & Haenlein 2011a) will be a central part of the Internet in future for a variety of business applications reaching from distribution to viral marketing (Kaplan & Haenlein 2011b; 2012). This evolution will even be amplified with the advent of the so-called mobile social media such as Four-square or MyTown. One of the most prominent applications in the large area of virtual worlds is probably Second Life, a three-dimensional virtual social world that opened to the public in 2003 and is maintained by the U.S.-based Linden Research, Inc. By entering it via a downloadable client program, users (who are called ‘residents’) can interact based on personalized avatars (Holzwarth et al., 2006, for a more detailed discussion of avatars), meet and speak with each other or buy a wide variety of virtual products, ranging from shoes to cars and houses. The currency in Second Life is the Linden dollar, which can either be earned in-world or exchanged via the Second Life Exchange at a floating exchange rate that is approximately stable at 250 Linden dollars to the U.S. dollar. More interestingly, Linden dollars can also be re-exchanged into US dollars, making it possible to earn real life money by selling virtual products and services within Second Life.

The high popularity of Second Life has motivated several real life companies such as BMW, Dell, or Wells Fargo, to start activities within this environment and to set up virtual flagship brand stores, called ‘islands.’ These stores were subsequently used as hubs for brand communities and the distribution of virtual products and services, such as virtual bikes, fashion items, or furniture for the avatars’ virtual houses. But also real-life products could be purchased on Second Life. Dell, for example, offered virtual PCs (being customized through Second Life residents) which were able to perform simple tasks, such as alerting a resident when one of his/her friends were nearby. These virtual PCs could furthermore be purchased in their real world form via a link from Second life to the Dell website. Another example is Starfruit, a Swiss based company, which offered a gift service within Second Life that allowed users to send flowers, chocolates and jewelry as real gifts to friends in the real world. However, most of these first initiatives in the area of virtual commerce have been stopped in the meantime. It is likely that this has occurred for the following three reasons: First, many companies entered the virtual world without a clear objective other than getting some free public relations in the real world. Second, companies frequently had unrealistic expectations about the potential of virtual worlds and were disappointed when they noticed that virtual worlds are just not yet mature enough