



Asian Journal of **Marketing**

ISSN 1819-1924



Academic
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Online Marketing in Second Life Virtual World

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ABSTRACT

Second Life (SL) is one of the fastest growing and leading 3D virtual worlds working in online environment. The purpose of this paper is to investigate online marketing opportunities in SL virtual environment. The case study of real world companies such as IBM, Intel, Nissan, Coca cola and Cisco was performed in SL to learn their online marketing success. Online conversation was also performed with company representatives to explore their experiences to conduct online marketing activities. The findings show that SL is a suitable technical platform for real world companies for business promotion. SL was found suitable for technological development, brand promotion, resource management and market strategy.

Key words: Online marketing, virtual world, second life, social system

INTRODUCTION

SL is becoming an important platform for marketing and brand promotion of real life products and services. Hemp (2006) stated that virtual worlds have future importance for marketers and have high opportunity of virtual e-commerce. SL offers a number of real life brands in virtual environment (Zero, 2007). Some of the well renowned companies such as IBM, Reuters, Dell and Cisco have opened virtual stores in SL for brand promotion. Virtual representations and avatars play a pivotal role in marketing in SL (Holzwarth *et al.*, 2006). Pine and Gilmore (1999) pointed out two important dimensions viz. customer participation (active or passive) and environmental relationship (immersive or absorptive). In active participation customers directly influence the performance such as playing online games and in passive participation customers are not involved directly, for example, watching television and stage play. Majority of real world companies are considering virtual worlds as a new technical platform performing online marketing with existing or new users. SL should maintain sound internal governance structures that will be significant for resident communities and business entities. Moreover, this will be helpful for organizing virtual property and intellectual property of virtual designs and creations. Virtual worlds should offer additional activities to invite real world investments that will integrate virtual marketing (Bloomfield, 2007). Virtual stores should offer e-commerce websites and allow transactions to the customers.

The purpose of this study is to investigate online marketing opportunities of real world companies in SL. The research question is focused on how successful these companies are in SL virtual environment for online marketing and brand establishment. SL is a social platform with technological capability in the context of physical presence. The implication of communication

theory and technical developments to SL facilitates the speed of innovation in the future of information economy (Lastowka and Hunter, 2003). Virtual worlds have the opportunity for commercial development including own virtual currency, customization of avatars and objects, property ownership right, voice and text communication and number of communities and marketplace (Castranova, 2005; Good, 2007; Manninen and Kujanpaa, 2007). Avatars and virtual objects have the potential of positively influencing trust and online purchasing interest (Holzwarth *et al.*, 2006). Companies are using virtual worlds nowadays to communicate with stakeholders through customer events, trainings and collaboration sessions. SL combines social and visual components which help to get resource and cost efficiencies. Many organizations are incorporating virtual world activities into their integrated marketing communication strategies.

Traditional marketing are losing their impact due to the disability of revenue generation. Modern marketing media such as online social networks are playing pivotal role in making money, exchange information and have entertainment. In this connection, social networks have been replacing traditional advertisement media (Clemons, 2009). The membership in online social networks has been grown dramatically due to the innovation of virtual reality. The environment has audio and video events and different communication media such as blogs, instant messaging and chat. Communication is essential for socializing and content sharing. SL is thus considered as most trusted and reliable social system for online marketing and social networking.

THEORETICAL BACKGROUND

Word of mouth communication (WOM): Consumers interact with each other through internet to share knowledge, experience and opinion. WOM is an important marketing tool for consumer decision making. The marketing tool is useful for marketers, managers and researchers for decision making. Companies and consumers access online network to have communication and interaction. Hoffman and Novak (1996) stated that the consumer is an active participant in an interactive exercise of multiple feedback loops and highly immediate communication. Through online technology, information can be transmitted worldwide at lower cost. In virtual environment, friendship can be made, information is gathered and collect opinion of experts. Information is exchanged through other social networking sites such as Myspace, Youtube, Facebook and Wikipedia. Virtual communities play an important role for new product development and consumers motivation. Blackwell *et al.* (2001) stated that WOM is the informal transmission of ideas, comments, opinions and information between two or more individuals, neither one of which is a marketer. Virtual communities can be considered as a word of mouth networks. The impact of world of mouth communication is characterized into two parts: structural and interactional characteristics. The structural characteristics include network size, number of connections whereas interactional characteristics include strength and degree of homophily among network members. When people enter first time in virtual environment, they are not familiar with the virtual activities. So, they should engage in informational and instrumental activities.

There exists sufficient theoretical support for the idea that WOM impacts consumers' actions. Banerjee (1992, 1993) presents two models that propose that people are influenced by others' opinions. Mayzlin (2004) focuses on WOM online and the potential that it presents for the organization to pose as a consumer and create firm to consumer communications that appear like consumer to consumer communications. WOM's impact depends on who is talking to whom. Granovetter (1973) defines relationships as being either strong ties or weak ties. Further

assumption can be made that communities are formed by relatively strong ties among their members. A direct implication of this model is that the only connections between communities are those made along weak ties. This highlights the vital role played by weak ties in the diffusion of WOM. Richins (1983) observes at the moderating factors that determine whether one talks about negative experience. Anderson (1998) opines about negative and positive WOM communication. He proposes that a very dissatisfied consumers and very satisfied consumers are most likely to engage in WOM. Those customers who described themselves as faithful were considerably more likely to engage in WOM. However, these customers were less expected to engage in WOM. This indicates that loyal customers engage only in negative WOM and only when they are dissatisfied.

Disseminating information through WOM communication is one of the most effective mediums for relaying important product and company information. For many years it has been largely ignored by companies and retailers. WOM has been affecting people and organizations for many years. As its effectiveness becomes more clearly understood, it will be managed to affect many more. WOM marketing which comprises a variety of subcategories such as buzz, blog, viral, grassroots, brand advocates, cause influencers and social media marketing. Because of the personal nature of the communications between individuals, it is believed that product information communicated in this way has an added layer of credibility. WOM depends on the extent of customer satisfaction with the product or service and on the degree of its perceived value.

RESEARCH METHODOLOGY

This study was based on case study in the form of online interview from the representatives of real world companies in SL. At least two or three participants of each company were taken. As per their request the anonymity of the interviewees were maintained. The interview information was first copied, edited and summarized for study. The cases of successful companies such as IBM, Intel, Coca-cola, Nissan and Cisco have been brought into this study. The study was conducted from June 14 to June 27, 2010 for the period of two weeks. The grids of each company were visited to collect qualitative data. The open questions were focused on their activities, success history and experience in SL. Moreover, additional information of these companies had been collected from SL website and literature.

RESULTS AND ANALYSIS

Business case analysis of successful companies in second life: SL is becoming an online destination of choice for renowned companies to test and sell new products and to promote their brands. The big companies can test market for future product creation and host events to promote the brand. The well known real world companies entering to SL are Sun Microsystems, Warner Brothers Records, American Apparel, Adidas and Toyota. In October 10, 2006, Sun Microsystems hold a first press conference with John Gage, Chief Scientists of the company. Warner Brothers promoted singer's Album in SL. American Apparel launched a virtual store of clothes on July, 2006. Adidas have been offering gym shoes in SL. The company tests market styles before rolling them out in the real world to check the color and design. Starwood Hotel was opened in 2007 in SL. It has tested architectural designs and furniture choices in online environment before building the physical hotels. Toyota offers Virtual version of its cars in SL. Reebok designs shoes in SL and people wear the same design in real life. Educational institutions such as Darmouth College have presence in SL. The college conducts emergency response exercises in the virtual environment.

Online conversation with company representatives in second life: The interview information received from real world companies in SL is summarized below. The anonymity has been maintained as per the request of the users.

IBM representative: Our company has invested more than 10 million USD to increase its presence in the market for technologies. We held virtual conference in 2008 and more than 200 participants were present. It helped to reduce the real world cost and people all around the world could participate. IBM has been making a significant investment in virtual worlds now for 2 years it's time to take from research to reality. IBM has more than 200,000 technical staffs worldwide that make IBM Academy of Technology. The virtual universe community of approx. 7,000 members is responsible to run the event and train new SL users. IBM wants to create 3D business environments that mirror SL's interactivity and sense of immersion. There are all sorts of new applications for this technology. We really believe that highly visual and collaborative interfaces will become very important in the way we interact with all IT applications in the future. Virtual reality connects directly with the human mind. There is something very human about visual interfaces. I almost think of text-based interfaces, including browsers, as 'narrowband' into our brains, whereas visual interfaces are 'broadband' into our brains.

Intel representative: Intel conducted virtual Conference in 2008 in SL. About 150 people actively took participation. We saved real life budget (USD 265,000 of the 300,000). The major events include keynote presentations, live product demos and social networking activities. The voice conference cost USD 30,000, whereas face to face conference cost USD 300,000. The virtual conference saved travel cost. It was free and easy to access. More than 20 different companies took part in the conference. It enabled to produce feedback and detailed reports on activity such as time duration and cost analysis. The event had fun for participants and created shared memories. Text chat was also used for conversation during conference period.

Coca-cola representative: Our company started entry in SL in 2006. It became the largest manufacturer, distributor and marketer of nonalcoholic beverage. We have more than 400 brands over 200 countries. The company bought own island with linden lab to promote its brand. The young people have free access to record music in 'Coke Studio' which has high profile media and present the advertisement to global audience. Coca-cola has appreciation from the visitors in our sim. SL is beneficial to us for brand promotion, search new market and make business strategy. Sometimes it offers free virtual drinks to make the public community. The advantages for Coca-cola are brand promotion, marketing campaign, public attention and make business strategy. Moreover, it is using SL for socialization, collaboration and global reach among users.

Nissan representative: We have been using SL to promote our cars in real world and get ideas and feedback to design forthcoming models. SL is giving us benefit for cost saving, new model development and socialization. Besides this we can discover innovative ways to teach, learn and collaborate. Since, SL is an experimental place we can modify the design of our cars many times and bring into a new and convenient shape. Other advantages that we can get are cost saving, brand promotion, make market strategy and rich a global audience.

Cisco representative: Cisco is using SL for B2B communication. We have network engineers in our sim. We have several sims to have user group meetings and international staff. The company

Table 1: Summary of findings on online marketing opportunities for companies

Company	Industry	Description
IBM	IT	Technological development, product information and training to new users through online conference and meeting. It has built a circuit city and store in SL for demonstration of products and services. IBM has been creating 3D market environment and has a huge impact on real world commerce and business. Advantages for the company are resource management, technology management, market opportunity creation, corporate culture enhancement and leadership development
Intel	IT	Frequently holds virtual conference. The activities include presentation, live product demos and social networking. The conference helps to reduce real world cost and receive feedback immediately. The participants take fun and create shared memories. The problem is crashing of SL software.
Coca Cola	Beverage	Coca cola has own island in SL. Sometimes it offers free virtual drinks to make the public community. The advantages for Coca cola are brand promotion, marketing campaign, public attention and make marketing strategy.
Nissan	Automobile	Gets ideas and feedback to design new models of vehicles. Other advantages are cost saving, brand promotion, make business strategy and reach a global audience.
Cisco	Communication products and services	Cisco is using SL for business communication. It has several sims to have user group meetings. It provides training and education to new SL users. Provides presentations and holds events. The advantages are immediate customer interaction, get feedback and offer products and services. Cisco uses private sims for prototyping and private conversations.

provides training and education to SL users and gets feedback about the products. The presentations are made using Power Point, video and audio. The events are held to make contact with real life people to SL. This event is called 'mixed reality'. The importance of virtual world for Cisco is the opportunity for immediate customer interaction. The customers are interested to know about Cisco product and services. SL is a social networking tool similar to blogs or web discussion forums. It's away for people and companies to come together and interact with their business partners and customers. Cisco has both public and private sims. Cisco uses the private sims for prototyping and private conversations. We are using SL for marketing communication. We frequently conduct group meetings. It provides training and education to new SL users. Also provides presentations and holds events. The advantages are immediate customer interaction, get feedback and offer products and services. Cisco uses private sims for prototyping and private conversations.

The summary of findings from Table 1 is that the companies have been using SL for technological development, brand promotion, resource management and marketing strategy. Furthermore, some of them are using SL for prototyping. The products information and trainings through presentations and online demos help to reduce real world cost. Thus, companies are making social network among users which facilitates to increase customer relations enabling to boost up real world business.

CONCLUSION

SL is becoming a platform for collaboration and online marketing with low cost that removes geographic constraints. It is a part of the solution to communication and organizational challenges. This study tests the theory of word of mouth communication through consumer learning. Initial fund investment, adequate time engagement and quality as well as multiple categories of products are equally important in SL as in real world. In addition, advertising, customer relation, after sales service and consumer traffic are crucial for online marketing promotion. Individual and big companies use virtual worlds as a bridge to their current real world business and drawing much

attention of both managers and researchers. Future research on online marketing in SL based on consumer behavior can be performed through online survey from its residents.

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