

The background of the cover is a grayscale image of a room with a checkered floor and a textured wall. A bright orange horizontal band is positioned in the upper third of the image. On the left side of this band, there is a faint, stylized graphic of concentric circles, resembling a ripple or a lens flare. The title text is overlaid on this band.

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## **Virtual Worlds Come Of Age**

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### **Abstract**

*Virtual worlds have been purported to provide a fertile bed for marketing and brand-building for real-life companies. In Second Life, for example, there was a flurry of media attention and corporate activity in 2007 and 2008. Several years on, however, most of the big name brands have pulled out of Second Life. One of the reasons for this is the poor level of value generated for customers by the virtual brand experience, poor interactivity, a lack of brand and channel fit, and inadequate corporate understanding of virtual communities. Recently, a new form of more targeted brand offerings has emerged. Branded virtual worlds, many of which are targeted at the youth segment, are growing rapidly. Many of these worlds attempt to bridge the gap between the real and virtual worlds, including advertising and real-world tie-ins, as well as subscriptions and digital micro-transactions. This paper examines one such virtual world, buildabearville.com, and its real-world counterpart, Build-a-Bear Workshop. This successful online initiative has become increasingly important in driving revenues and cross-channel activity for the company. The paper rounds off with conclusions and implications for practice in this new area of investigation.*

**Keywords:** branded virtual worlds, brands, marketing, buildabearville.com, case study.

## **Virtual Worlds Come Of Age**

Virtual worlds, as a media phenomenon, exploded several years ago with the growth of environments such as Second Life, ActiveWorlds and There. The notion of a ‘virtual world’ is a relatively novel phenomenon that has emerged from the juxtaposition of recent advancements in computer graphics, online gaming, and social networking technologies. A ‘virtual world’ may be defined as “an electronic environment that visually mimics complex physical spaces, where people can interact with each other and with virtual objects, and where people are represented by animated characters” (Bainbridge, 2007, p. 472). According to Novak (in press), virtual worlds, such as Second Life, exhibit five core characteristics experienced by the user: a graphical 2D or 3D interface; a social context experienced by many individuals; interactivity and vividness of the virtual environment; a shared space for interaction; and persistence of the environment. Virtual worlds are subtly different to massively multiplayer online role-playing games (MMORPG) such as World of Warcraft and RuneScape (Barnes, 2007). Both share the same characteristics mentioned above, but MMORPG typically provide pre-defined user paths while virtual worlds attempt to provide strong levels of personal freedom in a simulated world in which participants use their imagination to follow their own chosen path within the virtual environment (Guo and Barnes, 2009). The latter can also be categorized as social virtual worlds (Tikkanen et al., 2009). The combined population of users of ‘social’ virtual worlds in quarter three of 2009 was estimated to be 671 million, an increase of 92 million from quarter two (KZero, 2009).

Virtual world economies often adopt virtual currency that has real economic value. DFC Intelligence (2008) estimate that virtual worlds will produce US\$13 billion in revenues by 2012 with 40% of this attributed to trading virtual assets. Second Life, arguably the best known and one of the broadest virtual world platforms, has grown rapidly; in July 2009, there were nearly 28 million transactions with US\$461 million spent in the year to June 2009 (Second Life, 2009).

Emerging at approximately the same time as the rapid growth and media interest in virtual worlds between 2007 and 2008 has been the belief that social virtual worlds provide a fertile bed for marketing and brand-building (Barnes, 2007; Lui, Piccoli, and Ives, 2007). However, the reality has been quite different, with many companies failing to achieve anticipated benefits and subsequently closing their operations in virtual worlds such as Second Life (Barnes and Mattsson, in press; Tikkanen et al., 2009).

In this paper we examine the value of virtual worlds as a medium for marketing and a new category of virtual worlds – branded virtual worlds – that has emerged. The majority of these branded virtual worlds focus on the 18-and-under age group. The paper further offers a case study of an exemplar branded virtual world, [buildabearville.com](http://buildabearville.com), and its lessons for other organizations attempting to build brands in virtual worlds.

### **Marketing in Virtual Worlds**

From a marketing perspective, virtual worlds have been touted as a significant new platform for communications and interaction with current and potential customers (Barnes, 2007; Hemp, 2006), affording companies the opportunity to simulate customers' experiences in physical stores as well as enhancing product knowledge and influencing customer attitudes and purchase intentions (Lui et al., 2007). Virtual worlds appear rather complex phenomena because they present many forms of marketing experiences thus far unobserved in a single channel (Kleeberger, 2006; Vedrashko, 2006). Some observers suggest that virtual worlds may enable the extension of self or the creation of alter-egos that in themselves are the target of marketing (Barnes and Pressey, 2009; Hemp, 2006). Moreover, virtual worlds are not simply designed to entertain users (customers), but also to engage them in an experience (Li, Daugherty, and Biocca, 2001). The use of multiple senses in this experience can render it considerably more effective (Kroeber-Riel and Weinberg, 1999), and this is accentuated further in emotional, novel or unstructured stimulating environments of the type observed in many virtual worlds (Tikkanen et al., 2009). Virtual worlds can engage the user in vivid interactive experiences of telepresence and flow (Novak, in press; Steuer, 1992). Further, they can provide a strong medium for consumer

learning about a brand (Suh and Lee, 2005). Indeed, the features of virtual worlds provide a firm foundation for commercial development and potential for brand-building (Barnes, 2007). Tools for promotion include, e.g. placement of 3-D objects (similar to movies), real-world analogs (such as billboards and radio), advergames (mini-games, 'islands' or mini-worlds, with some element of advertising), and cross-promotion (such as coupons, dancing or camping in Second Life) (Vedrashko, 2006).

A spike of interest was generated in marketing and brand building in virtual worlds during the period from 2007-2008. Such interest was spear-headed by the large number of real-world brands establishing a virtual presence in virtual worlds such as Second Life, the most popular venue for brand building in virtual worlds, with additional interest in those such as There, Habbo, Whyville, Frenzoo, Stardoll and Gaia. Indeed, some brands, such as Nike, Time Warner, Toyota, Sony and Universal Studios attempted to establish a presence in multiple worlds. Second Life contained well over 100 prominent real-life commercial brands at its peak, including those in sectors such as auto (e.g., BMW, Mercedes, Toyota, Honda, Renault, Mazda and Pontiac), media (e.g., AOL, Reuters, MTV, Warner Bros and Sony BMG), travel (e.g., STA Travel and Tui), consumer electronics (e.g., Intel, AMD, Dell, Nokia and Sony Ericsson), consumer goods (e.g. Adidas, Reebok, Nike, Armani, Calvin Klein, L'Oreal Paris and American Apparel), telecommunications (e.g. Vodafone, Orange and Telus), finance (e.g. ABN Amro, Saxo Bank and ING) and professional services (e.g., IBM, Logica and PA Consulting).

Several years on, the reality is that most of the big name brands have pulled out of Second Life. One of the reasons for this is the poor level of value generated for customers by the virtual brand experience. Barnes and Mattsson (2009) empirically examine the value of real-life brands in Second Life and find that the levels of emotional value created by the brands are very low, suggesting that this is likely to contribute to the explanation for the subsequent failure of many of these brands. In another study, Barnes and Mattsson (in press) explored the fit of real-life brands in Second Life using axiological theory and the concepts of real-life and virtual world brand value (measured via emotional, practical and logical value, which have decreasing value to

consumers in that order), category fit (i.e. the fit with existing products), channel fit (i.e. the fit of the offering within new channel) and extension attitude. They find that real-life brand value drives category fit and channel fit which in turn drive extension attitude; extension attitude drives virtual world brand value. This suggests that success of brands in virtual worlds depends on both the fit of the brand itself and the types of products offered in the virtual world. This also implies that some virtual worlds may be a better fit than others with a particular brand and products. Barnes and Mattsson (in press) conclude that: “Extending a brand into the virtual world is fraught with complexity, as the closure of Second Life operations of brands such as Sears, Adidas, Reebok, AOL, Mercedes, American Apparel and Armani testify. Additional effort is required in translating branding approaches to fit the more absorptive, individualized and highly interactive nature of the channel, its altered reality and that of its residents. There are obvious parallels with the early challenges of marketing on the Web.”

Further indicative evidence suggests that successful marketing in virtual worlds is driven by three key factors: value creation, interactivity and community management (Tikkanen et al., 2009). The first two of these are alluded to in the discussion above. However, the last of these, community management is notable. Using more than 150 hours of participant observation and content analysis of more than 1000 pages of blog commentaries, Tikkanen et al. (2009) find that understanding the culture of the community within the virtual world is paramount. Areas of cultural conflict encountered by marketers include misunderstanding about the norms that govern behavior within different virtual worlds, issues around language and internationalization, meaningfulness of interaction, and perceptions of whether a company is part of the ‘community’. An example problem encountered by marketers is the adverse attitude to traditional marketing perspectives such as direct marketing within virtual worlds. Tikkanen et al. (2009) suggest that “Smaller virtual locations are sometimes better than larger ones because they create a more intimate atmosphere that enhances interaction between the community’s members” (p. 1372) and they further conclude that, “Before entering virtual worlds, companies should become familiar with the local culture of the virtual world as it also substantially determines the behavior of the different communities in the virtual world. Instead to have one best choice for all virtual worlds

and communities, every choice is complex and can be differentially evaluated by various communities” (p. 1373). This would appear to suggest that a new approach towards branding and virtual worlds is needed, focusing on closer interaction within a more defined, intimate environment. Next we will explore a new type of virtual world that has emerged to fill this gap – branded virtual worlds – before further examining an exemplar case of a successful branded virtual world.

### A New Breed of Virtual World

One significant trend in virtual world growth is that of ‘branded’ virtual worlds. Unlike generic virtual worlds that are often a platform for diverse uses for diverse participants, branded virtual worlds are targeted to specific age groups and created directly as a vehicle for marketing and brand-building. Branded virtual worlds are so named because they exhibit an association with an existing brand, even if the existing brand may seek to develop a new brand or brand associations.

<b>Virtual World (Web site): Parent Company</b>	<b>Launch</b>
Toon Town Online ( <a href="http://play.toontown.com">play.toontown.com</a> ): Disney	Jun-03
Webkinz ( <a href="http://webkinz.com">webkinz.com</a> ): Ganz	Apr-05
Club Penguin ( <a href="http://clubpenguin.com">clubpenguin.com</a> ): New Horizon Interactive (later bought by Disney)	Oct-05
Tamagotchi Town - Music City ( <a href="http://new.tamatown.com">new.tamatown.com</a> ): Bandai America (Namco Bandai)	Feb-06
Virtual MTV (closed 19/2/2009) ( <a href="http://vmtv.com">vmtv.com</a> ): MTV Networks (Viacom)	Aug-06
Nicktropolis ( <a href="http://nick.com/nicktropolis">nick.com/nicktropolis</a> ): MTV Networks (Viacom)	Jan-07
UB Funkeys ( <a href="http://ubfunkeys.com">ubfunkeys.com</a> ): Mattel	Feb-07
Bella Sara ( <a href="http://bellasara.com/index_maf.aspx">bellasara.com/index_maf.aspx</a> ): Hidden City Games	Mar-07
Ty Girlz ( <a href="http://ty-girlz.ty.com">ty-girlz.ty.com</a> ): Ty	Apr-07
Barbie Girls ( <a href="http://barbiegirls.com/homeMtl.html">barbiegirls.com/homeMtl.html</a> ): Mattel	Apr-07
Chaotic ( <a href="http://chaoticgame.com">chaoticgame.com</a> ): 4Kids Entertainment	May-07
Be-Bratz.com ( <a href="http://be-bratz.com">be-bratz.com</a> ): MGA Entertainment	Aug-07
Littlest Pet Shop VIPs ( <a href="http://hasbro.com/littlestpetshop/vips/en_US/">hasbro.com/littlestpetshop/vips/en_US/</a> ): Hasbro	Sep-07
Pirates of the Caribbean Online ( <a href="http://disney.go.com/pirates/online">disney.go.com/pirates/online</a> ): Disney	Oct-07
Bunnytown ( <a href="http://tv.disney.go.com/playhouse/bunnytown/index.html">tv.disney.go.com/playhouse/bunnytown/index.html</a> ): Disney (Nickelodeon)	Nov-07
Zibbie Zone ( <a href="http://zibbiezone.com">zibbiezone.com</a> ): Stephen Cosgrove/Play Visions	Nov-07
CC Metro ( <a href="http://mycoke.com">mycoke.com</a> ): Coca-Cola	Dec-07
Buildabearville ( <a href="http://buildabearville.com">buildabearville.com</a> ): Build-a-Bear Workshop Inc.	Dec-07
NFL Rush ( <a href="http://nflrush.com">nflrush.com</a> ): NFL	Jan-08



WebWilds ( <a href="http://webwilds.com">webwilds.com</a> ): Folkmanis Puppets/Globio	Jan-08
Pixie Hollow ( <a href="http://pixiehollow.go.com">pixiehollow.go.com</a> ): Disney	Feb-08
Adventure Rock ( <a href="http://bbc.co.uk/cbbc/adventurerock">bbc.co.uk/cbbc/adventurerock</a> ): BBC	Mar-08
Beanie Babies 2.0 ( <a href="http://beanie-babies.ty.com">beanie-babies.ty.com</a> ): Ty	Mar-08
Toppstown ( <a href="http://toppstown.com">toppstown.com</a> ): Topps	Jun-08
Seapals ( <a href="http://seapalsworld.com">seapalsworld.com</a> ): Russ Berrie	Jul-08
Tootsville ( <a href="http://tootsville.com">tootsville.com</a> ): RES Interactive	Jul-08
McWorld ( <a href="http://vw.happymeal.com">vw.happymeal.com</a> ): McDonalds	Aug-08
Kookeys ( <a href="http://kookeys.com">kookeys.com</a> ): 10Vox	Oct-08
Tracksters ( <a href="http://tracksters.com">tracksters.com</a> ): 10Vox	Oct-08
Robot Galaxy ( <a href="http://robotgalaxy.com/play/index.html">robotgalaxy.com/play/index.html</a> ): Robot Galaxy	Nov-08
Horseland ( <a href="http://horseland.com">horseland.com</a> ): Horseland LLC	Jan-09
Fusion Fall ( <a href="http://fusionfall.com">fusionfall.com</a> ): Cartoon Network	Jan-09
Upper Deck U ( <a href="http://upperdecku.com">upperdecku.com</a> ): Upper Deck	Feb-09
Freaky Creatures ( <a href="http://freakycreatures.com">freakycreatures.com</a> ): Abandon Interactive Entertainment	Apr-09
Ridemakerz ( <a href="http://ridemakerz.com/RZ/Default.aspx">ridemakerz.com/RZ/Default.aspx</a> ): Ridemakerz	Apr-09
Toyota Metapolis ( <a href="http://metapolis.toyota.co.jp">metapolis.toyota.co.jp</a> ): Toyota	Apr-09
Hello Kitty Online ( <a href="http://hellokittyonline.com/us">hellokittyonline.com/us</a> ): Sanrio	Jul-09
Liv World ( <a href="http://livworld.com">livworld.com</a> ): Spin Master	Jul-09
Precious Girls Club ( <a href="http://preciousgirlsclub.com">preciousgirlsclub.com</a> ): Precious Moments	Sep-09
Lego Universe ( <a href="http://universe.lego.com">universe.lego.com</a> ): Lego	***
Virtual MTV (browser) ( <a href="http://virtual.mtv.com/homepage">virtual.mtv.com/homepage</a> ): MTV Networks (Viacom)	***
World of Cars ( <a href="http://worldofcars.go.com">worldofcars.go.com</a> ): Disney/Pixar	***

**Table 1:** Selected Branded Virtual Worlds – Youth Segment

Note: \*\*\* refers to virtual worlds that were in alpha testing as of January 2010

The largest target group for branded worlds is currently the youth segment, in particular the 18-and-under-market. As of January 2009, there were well over 200 virtual worlds in the youth segment, the majority of them branded (Engage Digital Media, 2009). A number of these branded virtual worlds, along with their parent companies and full launch dates, are listed in Table 1.

The branded virtual worlds examined above differ in a number of respects, including whether the target brand is new or pre-existing, and whether the revenue focus of branding is on the virtual world itself or on attempting to link the virtual world to real-world behavior. For example, some of the virtual worlds focus only on in-world activities for the brand, and for example demand subscription payment for use or for premium content, or focus on providing digital content that may be purchased via virtual currency through in-world micro-transactions. Alternatively, other

branded virtual worlds attempt to influence a consumer's attitude and behavior in the real-world, particularly via advertising and by real-world tie-ins of products. Similarly, some virtual worlds seek to establish a new brand based around a virtual world, while some attempt to extend a prominent brand from the real-world. Of course there are other examples that may be a mixture of different business models.

		<b><i>Revenue Focus</i></b>	
		<i>In-World Only</i>	<i>Out-of-World Linkages</i>
<b><i>Brand Trajectory</i></b>	<i>Build A New Brand</i>	Zwinky Cuties	Xeko Elf Island
	<i>Develop An Existing Brand</i>	Pirates of the Caribbean Online	Buildabearville

**Table 2:** Types of Branded Virtual Worlds

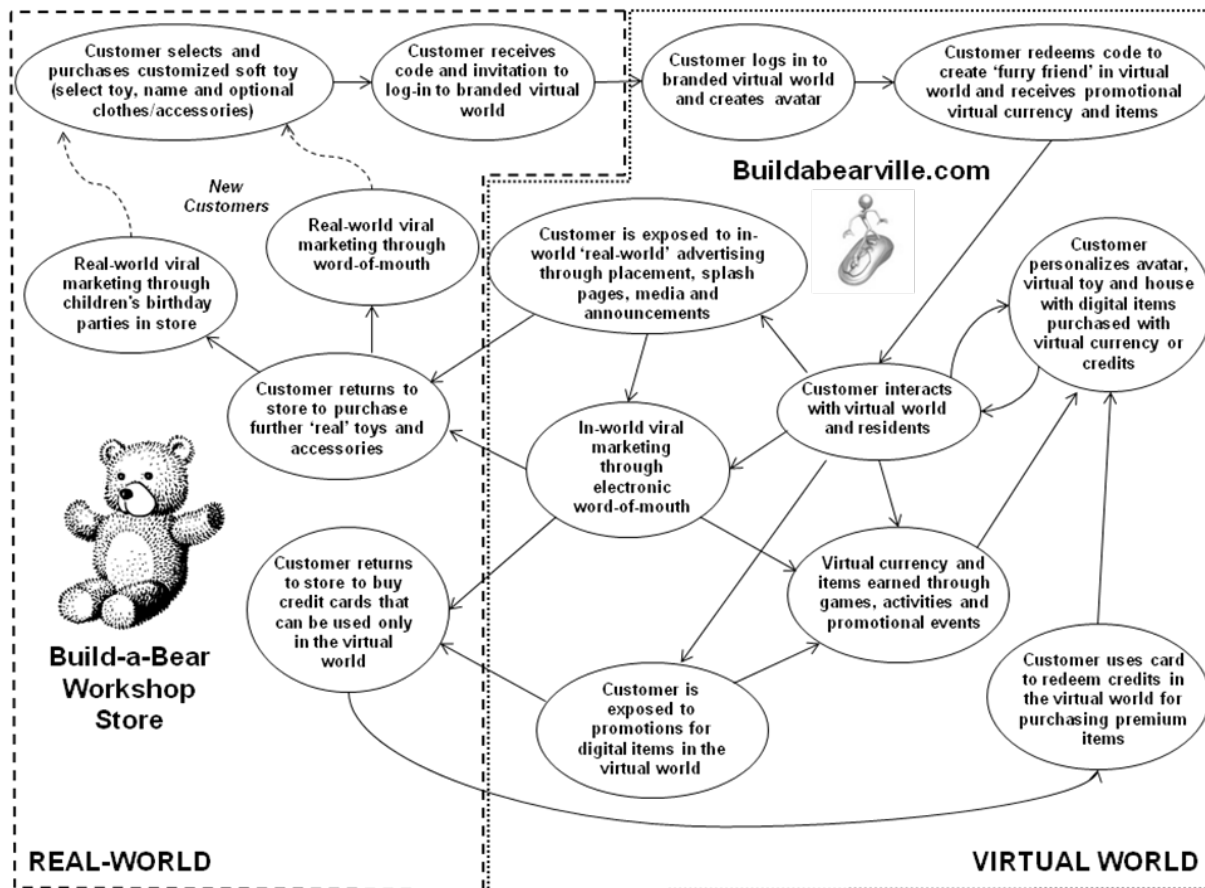
Table 2 provides examples of four different types of branded virtual world based upon the brand trajectory (build a new brand vs. develop an existing brand) and the revenue focus (in-world only vs. out-of-world linkages). There are few examples of new brands that are focused only on the virtual world, since most inevitably move to other spaces. However, one example currently in this space is Zwinky Cuties from Mindspark Interactive (<http://www.zwinkycuties.com>). This virtual world is focused on children over 6 years of age and enables users to interact, play games, keep pets and travel the 'world'. SA subscription enables a user to access premium content, use virtual currency and buy clothing and other items. An existing brand that has attempted to develop a presence in the virtual world is Pirates of the Caribbean Online (<http://disney.go.com/pirates/online>). This virtual world is free to play but requires a subscription to access premium content. Aside from loose linkage to the films themselves, there are no out-of-world linkages to other products from the virtual world. An example of a new brand that has attempted to establish itself in the virtual world and build out-of-world linkages is Elf Island (now Xeko Elf Island). This virtual world has an environment and education theme (<http://www.xeko.com>). Originally a non-profit it was launched in April 2009. In December 2009 it merged with Xeko and now has real-world

linkages to a trading card game and to eco-friendly soft toys. Finally, an example of an existing brand that has focused on real-world linkages is Build-a-Bear Workshop, the customized soft toy store. This successful virtual world is the focus of the next section (<http://www.buildabearville.com>).

### **Case Study: Buildabearville.com**

Let us examine a specific case study of a successful branded virtual world that has managed to make the transition from the real to the virtual. Build-a-Bear Workshop opened its first store in 1997 and now has more than 400 stores worldwide, including stores in Australia, Canada, Denmark, France, Germany, Japan, South Korea, The Netherlands, Norway, Singapore, South Africa, Sweden, Taiwan, Thailand, the United Kingdom, and the United States. The majority of Build-A-Bear stores are in shopping malls. As of quarter 2 of 2009, sales revenues were US\$82.4 million. In 2007, Build-a-Bear Workshop launched its Web site, Buildabearville.com, which integrates a branded virtual world environment. Visitors to the virtual world have grown rapidly and as of July 2009, 10.6 million online avatars had been created and between 1.5 million and 2 million unique monthly visitors to the site were recorded (Virtual World News, 2010); according to the CEO, Maxine Clark, the significance of the virtual world is continuing to grow and provide significant value during the recent economic downturn.





**Figure 1:** Channel Linkage between Real and Virtual Worlds

The successful business model that links Build-a-Bear Workshop and Buildabearville.com is illustrated in Figure 1. Customers may be guided to the store in a variety of ways, including via word-of-mouth, partnering (for example a McDonald's miniature soft toy promotion in October 2009 in the US and Canada), via previous experiences through children's birthday parties, real-world advertising, impulse purchases within the mall environment, or, increasingly, from the Web site. According to the CEO, 13 percent of those who visit the online destination are "highly influenced" to visit a store or make a purchase online (Virtual World News, 2010).

Once in the store, the customer is presented with various soft toys that may be selected, stuffed to specification, including options for a 'voice' and 'heart', and then accessorized with a huge variety of clothing and other extras, such as beds, spectacles, hair and accessories, music players, and more. While in the store, the customer uses a computer to name the toy and provide

customer details to receive a birth certificate. This certificate includes a code and an invitation to log-in to the branded virtual world of Buildabearville.com.



**Figure 2:** Personalized House and Avatar (Source: <http://www.buildabearville.com/>)

Customers subsequently register on Buildabearville.com and create their own personalized avatar. Within the virtual world (at a 3D representation of the Build-a-Bear Workshop) the code may be redeemed to bring the ‘furry friend’ to life in the virtual world. The soft toy communicates and responds to actions and has simple artificial intelligence. Alongside the ‘furry friend’, promotional virtual currency and items are received that can be used in-world. A virtual house is also created for the user and their virtual toys (see Figure 2). As the user interacts with the virtual world, the avatar, virtual toy and house can be personalized with digital items purchased with virtual currency or special credits (see below). Further currency may be earned by completing certain tasks or activities within the virtual world, such as games, jobs, or involvement in special promotional events. Within the game the user is exposed to advertising for real and virtual products.

Figure 3 gives an example of in-world advertising for a real-world product (a tiger soft toy). This splash page is encountered as the user logs in to the virtual world and provides product news from both the real-world and the virtual world. Further advertising is encountered on billboards, via digital product placement and through media that is streamed to the user within the virtual world. Such advertising and viral marketing through electronic word-of-mouth are aimed at influencing the customer to revisit the real-world store to purchase further real-world-toys and accessories, to encourage real-world themed children's birthday parties, and stimulate real-world word-of-mouth advertising. According to Maxine Clark, the virtual world provides a “meaningful tool for communicating with our guests, engaging guests on a continuous and frequent basis, and driving store traffic,” and customers who become virtual world users are “more engaged in our brand which leads to increased visits and a higher spend in our stores” (Virtual World News, 2010).



**Figure 3:** Example of Cross-Channel Advertising – Splash Page (Source:

<http://www.buildabearville.com/>)



As users interact with the virtual world, they are further exposed to electronic word-of-mouth advertising for digital items and promotional activity. Some items can be purchased using virtual currency or earned within the game. However, some premium digital items, including special clothing and vehicles, are only available via the use of special ‘credits’. To purchase these items, the customer returns to the real-world store to buy a prepaid credit card that can be subsequently redeemed in the virtual world for purchasing the premium items.

### **Conclusions and Implications for Practice**

In spite of early failures with real-world branding in generic social virtual worlds such as Second Life, branded virtual worlds can offer a very fertile bed for marketing and brand-building. The case study and the discussion above provide a number of important implications for businesses attempting to establish brands in the virtual world. Branded virtual worlds offer numerous benefits. First, branded virtual worlds offer the opportunity to target a specific community, such as a specific age group and demographic segment, and to establish a greater level of *intimacy* with this target group. Second, they offer a strong degree of *control* over the virtual environment; unlike generic virtual worlds, the company has absolute control over aspects such as the growth of the community, content, social interaction mechanisms, as well as more flexibility of decision-making on the virtual economy and revenue mechanisms (e.g. micro-transactions, advertising, subscriptions or real-world tie-ins). Third, and related to the previous two benefits, branded virtual worlds allow a company to design its own vividly interactive brand experiences directly targeted at the specific community. *Interactivity measurement* is immediate, which allows the company to adjust interactivity accordingly. Fourth, and related to all three of the above, branded virtual worlds by virtue of the level of intimacy, control and interactivity are likely to offer a much more compelling emotional experience for users. Such meaningful brand interactions foster greater levels of emotional *value* for customers, which in turn is likely to contribute to positive revenue creation. Finally, evidence suggests that the growth of virtual worlds can be accelerated by carefully targeted promotional mechanisms and activities via *real-world linkages*, including partnering. In conclusion, branded virtual worlds provide a growing and increasingly

successful avenue for marketing activities, and we are likely to see continued growth in this space in the future.

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