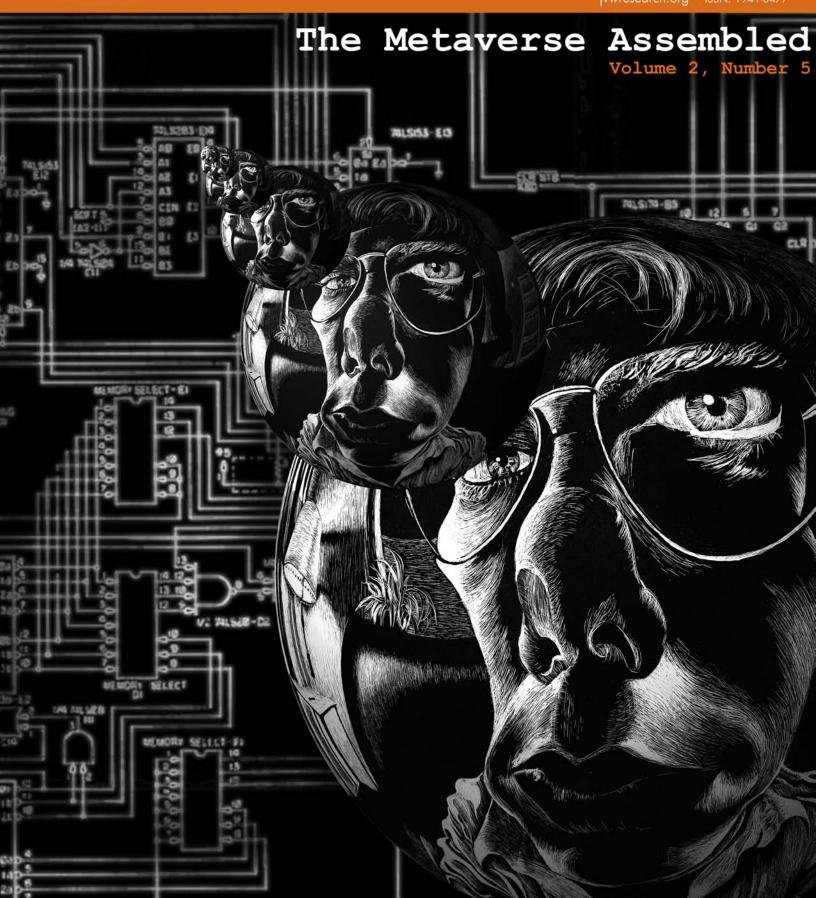
# Journal of Virtual Worlds Research Virtual Worlds Research



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#### **Brands and Consumption in Virtual Worlds**

By Ioanna Nikolaou, Shona Bettany, Gretchen Larsen, University of Bradford, School of Management, UK

#### Abstract

Virtual worlds, such as Second Life, are rapidly becoming recognized as a technology of substantial future importance for marketers and advertisers due to the great growth of Computer Mediated Communication (CMC). In recent years virtual worlds have become highly interactive, collaborative and commercial; these worlds would have the potential to be new channels for marketing content and products, integrating 'v-commerce', or 'virtual e-commerce'. Virtual Worlds clearly demonstrate how the boundaries between the physical and the virtual are becoming more fluid as individuals are interacting with digitally constructed entities. This paper aims to explore the literature in order to illuminate some of the issues related to consumption in virtual worlds and offer a better understanding of virtual participants' consumption practices.

Keywords: brands; consumption; virtual worlds.

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#### **Brands and Consumption in Virtual Worlds**

By Ioanna Nikolaou, Shona Bettany, Gretchen Larsen, University of Bradford, School of Management, UK

#### "Computer-mediated communication is not just a tool; It is at once technology, medium, and engine of social relations. It not only structures social relations, it is the space within which the relations occur and the tool that individuals use to enter that space." -Steven G. Jones, CyberSociety 2.0, 1998: p. 11-12

With the diffusion of computer and information technologies throughout businesses and homes, the field of marketing has transformed significantly. Worldwide, people have adopted the Internet as an information, communication, transaction, and distribution channel. Because the Internet connects people and disseminates information at an unprecedented speed and scope, it is clear that also its impact as an online social network and knowledge reservoir is profound (De Valck, 2005).

The recent advances in Computer Mediated Communication (CMC) has led to instant communication that ceases to be restricted by traditional understandings of space and time, but it is also possible to identify the infringement of the virtual realm on to our physical space<sup>1</sup>. In fact, the physical and virtual realms are becoming increasingly difficult to separate due to less frequent face-to-face contact (Ward, 1999). Due to the great growth of Computer Mediated Communication, online virtual worlds are rapidly becoming recognized as a technology of substantial future importance for marketers and advertisers (Hemp, 2006). The phrase 'Virtual World' refers to a 3 Dimensional computer-generated environment that appears similar to 'real' world, often developed to supply online entertainment and social networking for users (Barnes, In recent years virtual worlds have become highly interactive, collaborative and 2007). commercial. There are more than one hundred virtual worlds, and more are under development (Barnes, 2007). In our definition, virtual worlds are open-ended virtual interaction platforms or 'experience worlds'; therefore, goals are not prescribed, and virtual worlds are not games in the traditional sense. For instance, game-oriented environments, such as Worlds of Warcraft, Sims Online and Everquest would be excluded from our definition. Current virtual worlds would have the potential to be new channels for marketing content and products, integrating 'v-commerce', or 'virtual e-commerce'. Virtual Worlds clearly demonstrate how the boundaries between the physical and the virtual are becoming more fluid as individuals are interacting with digitally constructed entities. This paper is going to specifically focus on Second Life (SL), which is the best known virtual world. It is an immersive 3-D virtual world created by its Residents (users) (developed by Linden Research).

Given the uncertain ontological status of avatars' needs, the meaning of their consumption practices is going to be explored in this paper in the context of the lived-experiences of consumers who live their life in the virtual worlds.

<sup>1</sup> By physical space we mean the activity that takes place in the traditional sociological field; the physical world (Berger, 1963). It has been proposed that for some internet users the activity that takes place in text-based virtual space is experienced as a reality (Watson, 1997) and that the virtual space simulates the physical world to the extent that the virtual space is experienced as 'more real' than the physical world (Dery, 1996). I accept that the virtual is enclosed with the physical and vice versa, but I support that the value of virtual space exists in its ability to improve the transformation of individual's physical, political and social lives.

#### What is Brand?

A brand can be defined as an asset that does not have physical existence and the value of which cannot be determined exactly unless it becomes the subject of a specific business transaction of sale and acquisition (Seetharaman et al, 2001). The other definition that can be used is 'a name, term, sign, symbol or design or a combination of them, intended to identify goods or services of one seller; or a group of sellers, and to differentiate them form those of competitors'. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name. (Marketing Power, 2007).

#### **A Brief History of Branding**

The first *Journal of Marketing* article on the topic of 'brand' can be traced back to H. D. Wolfe's 1942 "Techniques of Appraising Brand Preference and Brand Consciousness by Consumer Interviewing", with several other articles on brands and branding appearing in the popular literature even earlier in the 20<sup>th</sup> century. While some thirty brand and branding articles appeared in the top three consumer behaviour journals (*Journal of Consumer Research, journal of Marketing, Journal of Marketing Research*) from 1942 to 1969, branding as a major topic of study in the marketing discipline, began in earnest in the 1970's. Books and journal articles have tackled the topic of branding from a variety of perspectives. Specifically, a good portion of the research on brand is devoted to building a better understanding in the areas of brand choice (or preference), brand switching, brand loyalty and brand extensions. As Marketing's study of branding has progressed, so too has the usage of branding by managers. Several popular journals, including *Brandweek, Brand Marketing* and *Brands and their Companies* have been mainstays for marketing management during the last two decades (Moore & Reid, 2008).

#### **A Brief History of Consumption**

The historical community, following the leads of Braudel and the example of McKendrick et al, has recognized that the 'great transformation' of the West included not just an 'industrial revolution' but also a 'consumer revolution'. This consumer revolution represents not just a change in tastes, preferences, and buying habits, but a fundamental shift in the culture of the early modern and modern world. Modern consumption was the cause and consequence of so many social changes that its emergence marked nothing less the transformation of the Western world. There are three important episodes in the history of consumption: the consumer boom in sixteenth-century England, consumption in the eighteenth century and consumption in the nineteenth century.

In the last quarter of the sixteenth century, a spectacular consumer boom occurred. The noblemen of Elizabethan England began to spend with a new enthusiasm, on a new scale. The consumer revolution served as cause and consequence of the transformation of Elizabethan England. Caught up in Elizabeth's strategic use of consumption as an instrument of government, Elizabethan noblemen were forced in patterns of noticeable consumption that had deep consequences for their families and localities. Spending more and more for their own immediate purposes, these noblemen withdraw from their reciprocal contracts with the family and the locality. For the family, this withdrawal had the effect of helping to narrow its scope and corporateness. For the locality, it had the effect of diminishing the influence of the super ordinate (McCracken, 1988).

In the eighteenth century, consumption has moved a little closer to the centre of the historical stage. Merchants were now marketers and the masters of diffusion effects and new media of communication. The number of goods was increasing steadily and they could be bought in more places on more opportunities than before. The transformation power of fashion now touched more product categories and the rate of fashion change had increased. This involved more frequent purchase and a wider scope of social knowledge. Now the consumption was a mass activity. The epidemic metaphor used by contemporaries was apt. The virus that had restricted itself to a minor aristocratic community had now infected everyone (McCracken, 1988).

By the nineteenth century the consumer revolution had established itself as a permanent social fact. The dynamic dialectic that bound consumer change and social change was now a structural reality. In fact, this revolution had even found an institution locus, a place of its own, the department store. This new institution helped change the nature of aesthetics by which goods were marketed, introducing powerfully persuasive techniques in film and décor that are being refined. The department store also changed the very nature of the place in which people consume, what they consumed, the information they needed to consume, and the styles of life to which this new consumption was devoted (McCracken, 1988).

#### Virtual Worlds

Virtual Worlds (VW) "are computer-moderated, persistent environments through and with which multiple individuals may interact simultaneously. In order to make these environments persuasive, such systems always present to their players an illusion that encourages the acceptance of familiar concepts such as *place*, *inhabitant* and *object*. Therefore, it is usual to refer to these virtual items in the same way that one refers to real items – as "a castle" or "a shopkeeper" or "a book", rather than as "an interpretation of bits" (Bartle, 2004).

Many of these virtual worlds are actually commercially driven role playing games, or Massive Multiplayer Role Playing Games (MMORPG's) which can be defined as "highly graphical 3-D videogames played online, allowing individuals, through their self-created digital characters or "avatars," to interact not only with the gaming software (the designed environment of the game and the computer-controlled characters within it) but with other players' avatars as well. These cyberworlds are persistent social and material worlds, loosely structured by openended (fantasy) narratives, where players are largely free to do as they please – slay overgrown butterflies, siege cities, barter goods in town, or scalp raw materials off the local flora and fauna. These Virtual Worlds are complex places, with a complexity that sometimes can even be seen as similar as the real world's.

According to Castronova (2001), a Virtual World or VW is a computer program with 3 defining features:

- Interactivity: it exists on one computer but can be accessed remotely (i.e. by an internet connection) and simultaneously by a large number of people, with the command inputs of one person affecting the command results of other people.
- Physicality: people access the program through an interface that simulates a firstperson physical environment on their computer screen; the environment is generally rules by the natural laws of Earth and is characterized by scarcity of resources.

• Persistence: the program continues to run whether anyone is using it or not; it remembers the location of people and things, as well as the ownership of objects.

These virtual worlds exhibit most of the traits we associate with the Earth world: economic transactions, interpersonal relationships, organic political institutions, and so on. A human being experiences these worlds through an avatar, which is the representation of the self in a given physical medium. Most worlds allow an agent to choose what kind of avatar she or he will inhabit, allowing a person with any kind of Earth body to inhabit a completely different body in the virtual world (Castronova, 2003).

The word 'avatar' derives from the Sanskrit word Avatāra, meaning 'descent' and usually implies a deliberate descent into mortal realms for special purposes. On the web avatars are graphical representations of characters – people – and are used in various applications including chat, instant messaging, blogs, games and virtual communities (Barnes & Mattsson, 2008). 'Virtual World Avatars' (VWA) are three-dimensional anthropomorphic representations of people, including related in-world behaviour and paraphernalia, for the purposes of interaction within virtual worlds.

As the phenomenon continues to grow, the aggregate amount of time devoted to shared virtual reality spaces seems likely to rise from today's tens of thousands of person-years into the hundreds of thousands or perhaps millions. The physical representation of the self in virtual reality – the avatar – is an important aspect of the choice problem, as we would expect that people would gravitate toward those worlds that offer them their ideal avatars (Castronova, 2003).

To enter a virtual world, the user is first connected to the server via the Internet. Once the connection is established, the user enters a program that allows them to choose an avatar for themselves. In all of the main virtual worlds, one can spend an extremely long time at this first stage, choosing the appearance of the avatar as well as its abilities. Avatars, like their human counterparts, express themselves through appearance and body language (Adrian, 2007).

Most of these virtual worlds have a firm basis for commercial development, including an in-world currency, customization of avatars and objects, concepts of property ownership, text and/or voice communication and many different marketplaces and communities (Castronova, 2005; Good, 2007; Manninen & Kujanpää, 2007). Virtual Worlds offer extraordinarily flexibility and potential for brand-building. Tools for promotion include, for example, product placement of 3D objects (similar to product brands, like beverages, as seen in films), real-world analogs (such as billboards and radio), advergames (mini-games or mini-worlds, with some element of advertising), and cross-promotion (such as coupons, dancing or camping in SL) (Vedrashko, 2006).

#### Brands and Consumer Goods in Virtual Worlds in the Context of Consumer Culture

Consumption and culture have an unprecedented relationship in the modern world. By 'culture' we mean the ideas and activities with which we interpret and construct our world (McCraken, 1988). By 'consumption' we broadly mean the processes by which consumer goods are created, bought, and used. Consumption is shaped, driven, and controlled at every point by entirely cultural enterprise. The consumer goods on which consumers dedicate time, attention, and income are charged with cultural meaning. Consumers use the meaning of consumer goods in order to express cultural categories and values, develop ideals, create and sustain life-styles, construct concepts of the self, and create (and survive) social changes.

Much contemporary consumption is playful and imaginative (Gabriel & Lang, 1995). McCraken (1988) and Campbell (1987) advocate that consumer goods might be perceived as resources with which to build imagined "better" lives. For instance, people may envisage that if they had a particular car or clothes their lives would be better. This means that consumer goods give individuals hope that imagined ideals are attainable, acting as "bridges" to them, without ever in fact fully achieving them. In this sense, commodities offer pleasures of the imagination. The actual pleasure is in the dream that the consumer good symbolically represents. Dreams may be framed and encouraged by the media, including advertising (Campbell, 1987). Virtual worlds are attractive to people who inhabit media-created ideal worlds in their imagination and some of these simulations include the signs of significance to individuals in 'real' life: branded consumer goods. Virtual worlds, due to the fact that they are a form of play, make us escape from our 'everyday lives'. Therefore there are many virtual world participants separating their 'real' lives from their virtual lives, considering that there may be more than one reality that they can now live in.

Martin (2004) in his exploration of a fantasy trading card game explains that: 'the real provides a necessary basis for creating a fantastic milieu that absorbs the consumer'. Aspects of reality are required in order for the imagination to be evoked. The aspects of reality used to evoke the imaginary may vary, but they may also include brands as ideas that we are used to daydreaming about. Hence, brands may 'connect' fantasies to individuals' everyday experiences. What an individual sees on the screen is realistic just because they know those brands as real brands.

In virtual worlds consumers are taking the initiative and adopting alter egos that are anything but under wraps, marketers can segment, reach, and influence them directly. In fact, it is important for companies to think about more than the potentially rich market of the virtual world and consider the potential customer-the avatar. In Second Life there are clothing designers that have been approached by real-world fashion houses, and at least one business makes realworld versions of furniture based on virtual "furni" designed by Second Life residents.

At this point we need to point out that in the mall of a virtual world, an avatar can try on and try out real-world clothing brands or styles in front of the virtual friends that the individual behind the avatar typically couldn't afford or wouldn't dare to wear. In case this avatar gets good reviews for her/his buddies and if she/he becomes comfortable with the idea of wearing a particular outfit, a purchase in the real-world may follow.

#### The Virtual World Second Life (SL)

This paper specifically focuses on *Second Life (SL)*, which is the best known virtual world. It is an immersive 3-D virtual world created by its Residents (users) (developed by Linden Research). The Residents are able to interact with each other through motional avatars, providing an advanced level of a social network service combined with general aspects of a metaverse. Everybody's avatar runs around together in a virtual environment, complete with oceans and trees and houses and animals. They can explore, meet other Residents, socialize, participate in individual and group activities, create and trade items (virtual property) and services from one another. Avatars can take whatever form and appearance and manifest whatever personality that a user desires. Every avatar can point at people and things, to drive virtual motorcycles, or to run up to someone and hug them. Residents can own property, create objects and animations, form relationships with one another, and engage in virtually any type of transaction or interaction imaginable. They can communicate with one another by typing local public chat messages,

typing private, global instant messages, and even by voice. The can also navigate the landscape by walking, flying, or instantly teleporting from one location to another, among other means. There's an easy-to-learn programming language you can use to tell the system to make something for you in a certain way. Making things costs virtual money, of course. So people make outfits and cars, and even houses, and they trade them back and forth, trying to save up their \$L to do more building when it strikes their fancy (Castronova, 2008).

Second Life is not a game since there really isn't any game to it at all. You just go *there* and talk to people, make friends, and build stuff that you might trade around for L, using the money to buy other things. For most of the millions of people who have begun to spend time within avatar-mediated communication systems, their encounter with this technology is not viewed as an encounter with a technology at all, but rather as a move into a new society, albeit one that operates under unusual circumstances. The circumstances change from world to world – in some, like Second Life, users build houses, in others they hunt dragons – but the common theme is sociality. These are new places for human communities, but they have grown to the point where they have begun to merge with communities – and markets -- outside cyberspace (Castronova, 2008).

Since opening to the public in 2003, it has grown explosively and today is inhabited by millions of Residents from around the globe. It has grown rapidly from 2 million residents in January 2006 to more than 9 million residents in August 2007. Some 1.3 million people ran the official software and logged-in to *Second Life* in March 2007, an increase of 46 percent in the number of active residents from January 2007 (ComScore, 2007). In March 2007, 61 percent of active Second Life residents were from Europe (16 percent from Germany), compared to 19 percent from North America, and 13 percent from the Asia Pacific. Additionally, 61 percent of residents were male while 39 percent were female (ComScore, 2007).

#### Real Life (RL) Brands in SL

This virtual world has more than 100 real life brands (Kzero, 2007), including those in sectors such as:

- Auto (e.g., Mercedes, Mazda, Toyota and Pontiac),
- Media (e.g., AOL, Reuters and Sony BMG),
- Tourism/Travel (e.g., STA Travel),
- Consumer electronics (e.g., Intel, Dell, Apple, Nokia and Sony),
- Consumer goods (e.g. Reebok, Adidas and American Apparel),
- Telecommunications (e.g. Vodafone and Telus),
- Finance (e.g. ABN Amro and ING)

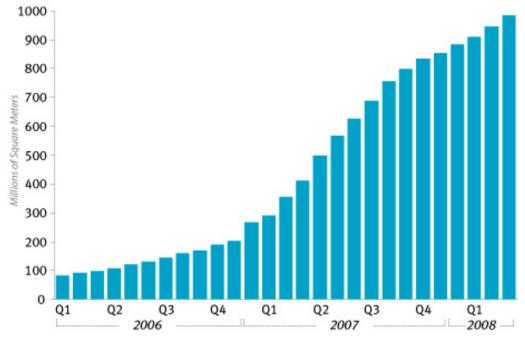
There are two types of accounts that a Resident in Second Life might have: Basic and Premium. Basic accounts are free. Premium Residents pay a recurring fee to buy land directly from Linden Lab, and receive a weekly allowance of Linden Dollars called a "stipend". Premium Residents aren't the only ones who are contributing to the economy, however. Since its inception more than 90,000 unique Residents have bought currency on the exchange. Basic Residents account for significant economic activity.

#### The Economics of the SL Community

The SL economy is a vital part of the game experience. Second Life has its own currency, the Linden Dollar. Linden Dollars may be purchased and sold for real world money through a

variety of exchanges at a rate that fluctuates according to market supply and demand. The value of Linden Dollar is L\$267.48 per US\$1.00 in average-value varies from L\$264.00 to L\$275.00. So the value of one L\$1.00 is US\$0.00374. Residents can use Linden Dollars to purchase property, goods, or services from one another, to make purchases through automated vendors in a variety of stores, and for many other types of transactions. The prices of property, goods, and services are similarly driven principally by market conditions.

In September 2006, the virtual world had a GDP of US\$64 million, based on residents being able to sell pretty much anything they create within the metaverse, as long as they can find a buyer. While the SL currency is known as the L\$, these can be exchanged for real-life US dollars with Second Life creator Linden Lab (Sudhaman, 2006). As figure 1 shows, the amount of resident owned land has increased 10 times in the last two years.



**Figure 1. Amount of resident owned land** *Source: Second Life Official website (2008)* 

#### Virtual Experience & Virtual Consumption

Due to the fact that consumption is a central aspect of contemporary life, it has been greatly appreciated by researchers of various fields not only within consumer behavior, or more broadly marketing, but also in sociology, psychology and anthropology. With the dynamic development of information technology and the proliferation of interactive media with the Internet at the front position, the ways in which people consume started to change. Consequently, consumers were introduced to new ways of consuming physical goods and their digitized equivalents such as e-books, e-journals, mp3 music, etc (Kedzior, 2007).

Virtual game communities are considered one of the most promising online game models – incorporating traditional computer games into the context of collaborative virtual environments. Thousands of participants may not only interact with each other, but they may also buy and sell virtual items in a virtual community. Such goods are bought and sold using real money. According to DFC Intelligence (2005), the revenue from trading virtual assets in virtual

game communities will reach \$1.8 billion by 2009. The emergence and increasing popularity of three-dimensional animated virtual worlds such as *Second Life* has set new stages for consumption. Being highly immersive, these environments represent lively consumption spaces not only for consumption activities but also for other manifestations of consumerism such as consumer activism, resistance and consumer creativity (Kedzior, 2007).

According to Firat and Venkatesh (1995), consumer-controlled avatars engage in many consumption activities such as shopping, trading, socializing at a club, etc. In that sense virtual consumption demonstrates an aspect of 'hyperreality', where members of the culture realize, construct and live the simulation. As Rheingold (1991) notes, 'real' describes a specific set of experiences; namely, those that are lived through the body, without the intervention of computer technology. Simulating these embodied experiences comprises virtual reality, and these simulations are hyperreal. As such, these experiences may be realistic, a state that is like real, but not really real.

Similar to the physical world, consumption in a virtual environment is often connected to spending hypothetically virtual money. As we have mentioned earlier, Second Life has its own form of economy and virtual money might be exchanged into "real" money and vice versa. As a result, the line between real and virtual has become blurred. Due to the new character of virtual worlds little remains known about the nature of such consumption (Kedzior, 2007).

The big question that arises at this point is why people buy virtual items with real money. According to Second Life Residents' views about this issue, they shop and buy by appearance. They ask themselves 'How do I look?' How will I blend in?'. Appearance and attractiveness is important to them. Additionally they explained a bit more about the 'blend in' thing. An SL Resident specifically gave me an example in order to explain it better telling me: "Go to a Rock club for example or Black Hearts [and] take a look at what everyone else is wearing..those two have different cultures of clients, different styles and people change to 'fit in' as they perceive it". Asking him what exactly Black Hearts is he easily told me that Black Heart Café is a popular dance club in SL.

#### What is Real and what is Virtual?

Recent works have characterized our late-twentieth-century lives and social structures as hyperreal, or moving closer to the virtual; many scholars theorizing about cyberspace and computer-mediated communication focus on the difficulty of determining what is real and what is virtual, or on the blurring of the two in or through various technologies (e.g. Benedikt, 1991; Rheingold, 1991; 1993).

According to MacKinnon (1998), "The primary difference between the real and the virtually real is the interposition of some mediating and transforming agent or interface between the senses and the shared perception" (p. 4). MacKinnon seems to define real as that which is experienced by the senses and virtually real as that experience which encounters something between its existence and our senses. Most probably he means a computer, but he could also mean displays, or a mirror. More significantly, there is a standard reality out there, and something is happening to it. Howard Rheingold (1991) writes that computers "are only beginning to approach the point where people might confuse simulations with reality. Computation and display technology are converging on hyperreal simulation capability. [Through this capability, we] will be able to put on a headset, or walk into a media room, and surround ourselves in a responsive simulation of startling verisimilitude....That point of convergence is important enough to contemplate in advance of its arrival. The day computer

simulations become so realistic that people cannot distinguish them from not simulated reality we are in for changes" (p. 388).

At this point we need to point out that virtual realities such as the Internet encourage people to see virtual as real and vice versa, or to accept the virtual as an adequate way to experience various places and others. For example, when in Second Life, I can seem to walk through a forest, without actually going there; I can share significant discussions with people from all around the world that care about me online, so I might not feel 'forced' to accept or get along with people who live close to me.

#### Conclusions and recommendations and further research

Thanks to the recent advances in Computer Mediated Communication (CMC) the physical and virtual realms are becoming increasingly difficult to separate due to less frequent face-to-face contact. In recent years virtual worlds have become highly interactive, collaborative and commercial. Current virtual worlds, such as Second Life, would have the potential to be new channels for marketing content and products, integrating 'v-commerce', or 'virtual e-commerce'. Most of these virtual worlds have a firm basis for commercial development, including an inworld currency, customization of avatars and objects, concepts of property ownership, text and/or voice communication and many different marketplaces and communities. They offer extraordinarily flexibility and potential for brand-building. In addition, much contemporary consumption is playful and imaginative, which means that that consumer goods might be perceived as resources with which to build imagined "better" lives.

The role of these complex worlds as tools that individuals use to make sense of their lives in a consumer society is worth further consideration. Further studies may consider how the brands are perceived by virtual participants and whether there is an interaction between Real Life consumer behavior and Second Life consumer behavior. A very important question that arises is whether the avatars are going to actually buy real-world products that are marketed in virtual worlds, effectively purchasing real-world goods for the individual behind the avatar, just as those individuals buy virtual-world stuff for them or not. Could an avatar who is spending Linden Dollars in order to buy a virtual shirt from a designer clothing store in Second Life be attracted, while visiting an in-world Gap retailer store for example, to click on a cash register and use her/his credit card in order to buy a real-world Gap sweater that would be shipped to the real person's doorstep? This research agenda is a very important one as the use of interactive entertainment continues to grow.

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