Businesses in Second Life

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 Last revised: 20Jun 2007
 Changes: Updated SLURLS, corrected minor typos

Philip Rosedale

- Founded 1999

- Second Life launched June 2003

- Investment
  - First Round 10/04 ($8M); Second Round 3/06 ($11M)

- Board
  - **Mitch Kapor** Kapor Enterprises, Inc.
  - **Jed Smith** Managing Partner, Catamount Ventures
  - **Bill Gurley** Partner, Benchmark Capital
  - **James Currier** Founder and President, Tickle, Inc.

Your World. Your Imagination

Linden Lab is a privately held business that is solid and established.

Linden Lab was founded in 1999 by Philip Rosedale. He believed that technology had finally reached the state where real-time 3D graphics were possible - that bandwidth was available and graphics performance was sufficient. It took 4 years of work to turn that into a product, and Second Life was released in the summer of 2003.

Linden Lab has had 2 rounds of venture funding, and enjoys a very active and committed Board. It has significant cash reserves that will enable growth for the near future.

Linden Lab is funded by individuals and investment firms, including:

Pierre Omidyar, founder of eBay; Mitch Kapor, founder of Lotus; Jeff Bezos, founder of Amazon; and the investment companies: Benchmark, Catamount and Globespan.

- Virtual world
- Not a game

Your World. Your Imagination

Second Life is an immersive, 3-dimensional social interaction environment.

Here we see a resident of Second Life, the virtual world, engaging in a game of chess with another resident.

Second Life is not a game. There is no set of rules that cause actions to happen; there is no goal; and there is no set of actions that will change your status or result in a challenge. There are no quests. There are games in Second Life, and some communities have created complex role-playing games; there are also games like Bingo. These games happen in the virtual world of Second Life.

We hope that Second Life will become a 3D version of what the Internet is today - a platform for sharing many kinds of information between people and companies - with the added advantage of being 'immersive', and, like the real world, in 3D.

Second Life Principles

- Accessible tools
- User-owned IP
- Economy
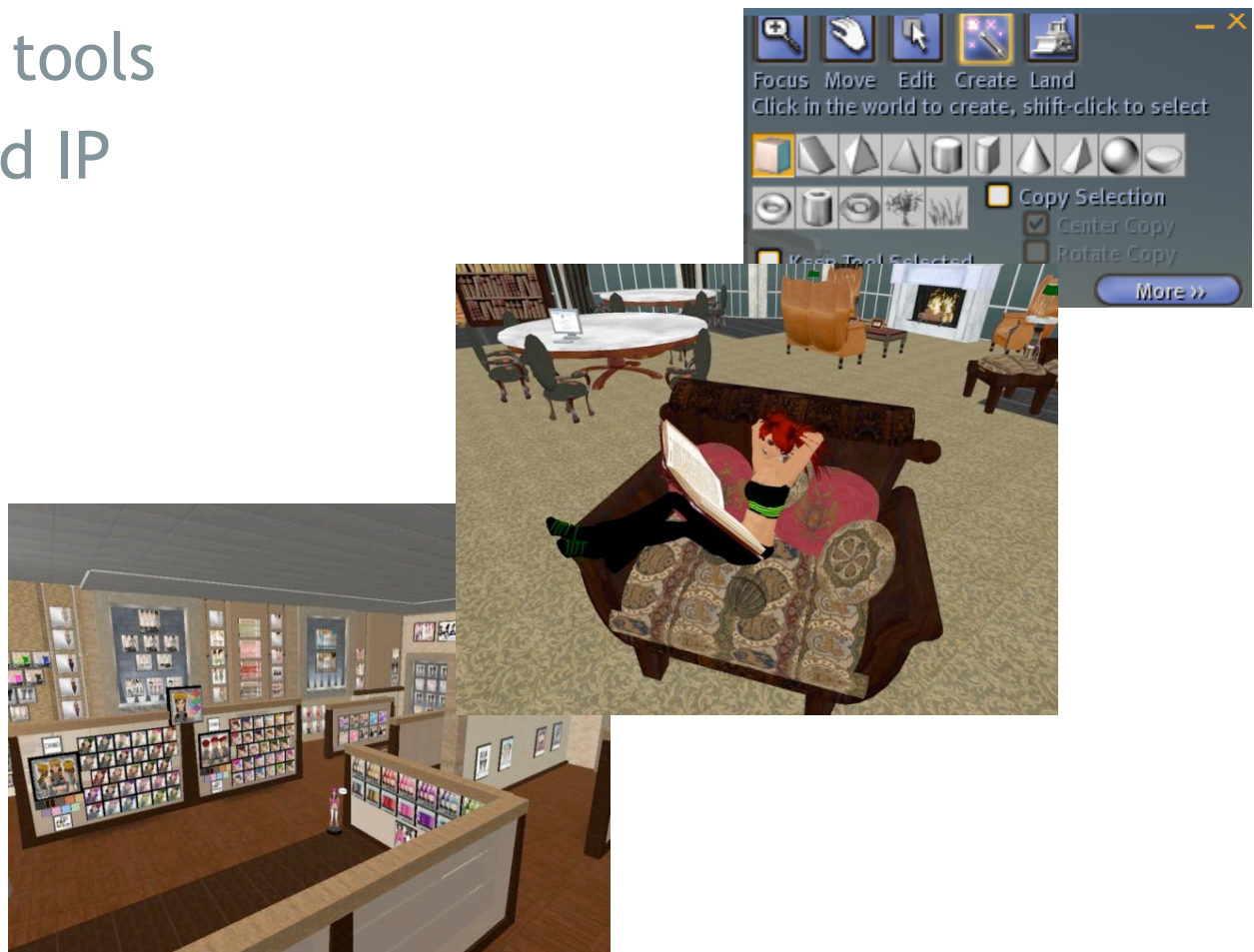
Second Life has been successful because it is built around three core principles that provide value and enhance the user experience.

Tools -

All the tools for content creation are available within the Second Life client. They can be used by anyone. While they take some learning, they do not require special skills or knowledge. The scripting language is also accessible from within Second Life, and any object in Second Life can be scripted to create an interactive environment. People are encouraged to collaborate in creating content in Second Life, since content creation happens in real time in front of anyone who's present.

User-owned IP -

All intellectual property rights to content are owned by the creator. Linden Lab does not restrict nor take any rights to content in Second Life.

Economy -

A robust in-world economy, linked to real world currencies through a floating exchange allows the content creator to monetize their intellectual property.

- Social Network
- Creation
- Business

Residents tend to fall into 3 categories of use of Second Life:

1) Social network - or Community. Second Life is a social interaction space. Avatars provide a visual reference and allow residents to express themselves. Research from Stanford University has indicated that people tend to treat their avatars as if they're real in the way they interact with social space - men tend to stand further apart than women do, and avatars tend to maintain about the same amount of eye contact as people do. This suggests that people are behaving as if their avatars are an extension of themselves, rather than some exterior element they are manipulating.

2) User-created content. Like the internet, virtually all the content of Second Life is created by residents. In addition, Linden Lab gives all intellectual property rights to the content creator - anything you create, you own and can sell, exchange or give away as you wish. The combination of accessible tools, enabling residents to create content, and an economy provides an enormous engine for content creation. People spend a significant amount of time creating content in Second Life - a recent estimate was almost 4 million hours a month!

Collaboration is encouraged by the availability of content tools in Second Life and it's real-life nature: anyone nearby can see what you're doing and participate.

3) Business: because residents own their content, the marketplace enables them to monetize that content just as they can in the real world. This has created a vibrant economy where residents can buy, sell and exchange goods. Many residents who have created content have ended up selling it, and others have created service businesses. The most robust businesses in Second Life are real estate, social sites such as clubs, and fashion. Some examples of service businesses are: wedding planner, event manager and psychologist.

(At this point, if you have Second Life available, you should launch it and do the demonstration of the content on slides 6 through 14 in Second Life; SLURLs for each example let you set teleport points so you can quickly and easily move from one to the next. If the audience is experienced, you can go directly to the next slide/activity; if not, take some time to orient them as follows.)

The images on this slide show the Second Life application login screen, and the appearance editing tool that lets you customize your avatar.

Here are some of the features of Second Life that engage residents and create a powerful and sticky experience.

1) Avatar: An avatar is your representation in Second Life. It can be lifelike or fanciful. It can be customized and changed at any time, and you can buy special customized skins that are more realistic, or that give you other forms, from a robot to a cat. (When you enter Second Life, take a minute to point out your avatar, and zoom the camera around it so the audience can see it.)

2) Moving in Second Life: You can walk, run, fly and teleport in Second Life. (Demonstrate walk, run, and fly to show how you can move. Select a gesture to show how you can animate your avatar.)

3) Customization: You can customize everything from your hair to your feet to recreate your real self, your ideal self, or some other self. (Click on your avatar and change some sliders to show how you can customize your avatar.)

4) Content Creation: If the area allows it, you can click anywhere to make one of the basic objects appear, change its shape, and add texture and color. By combining these basic shapes and editing them, you can create virtually anything in Second Life. (Show to build in Second Life by creating a cube, rotating and sizing it, and applying a texture. Don't forget to delete it when you're done.)

5) Inventory and clothing: You can buy and collect objects, clothing, fashion items, and information in Second Life. This is kept in your inventory. Just like pulling items out of a closet, you can pull items out of your inventory to wear or display. (During the visit to retail stores, if appropriate, buy an item, show it in your Inventory, and change your clothing by dragging a clothing item out of your inventory.)

6) Communication: Besides movement and gestures, you have access to text chat (and soon to 3D voice chat) in Second Life. You also can send messages to individuals (by IM) or to entire groups (through Group Messages). (If the opportunity arises, enter into a chat with a resident to show how residents interact in Second Life.)

Collaboration

- IBM
- Crescendo Design
  (Architecture)

Many businesses are using Second Life as a business collaboration tool, but few have made that public.

One example is IBM.

" IBM scientists and programmers worldwide were buying virtual islands in Second Life and using them for group collaboration or solving computer science problems." - Business Week (http://www.businessweek.com/magazine/content/06_47/b4010068.htm?chan=tc&chan=technology_technology+index+page_today's+top+stories)

"IBM is using the virtual world of Second Life as the next best thing to being there for corporate meetings. - http://news.com.com/2061-10809_3-6127448.html

Location & SLURL: IBM 128, 128, 0 ; http://slurl.com/secondlife/ibm/128/128/0/?title=IBM%20Landing%20Area

In architecture, Second Life allows architect and client to walk through a building and make changes in real time - from location of a wall to its color. Many people find it difficult to translate drawings or 1/4" scale models into real spatial relationships, but Second Life provides not only the real-world spatial relationships, but the ability to instantly change the objects.

(http://secondlife.com/newsletter/2006_09/html/developer.html)

Location & SLURL: Crescendo Design, Architecture Island 93, 99, 25: http://slurl.com/secondlife/architecture%20island/93/99/25/?title=Crescendo%20Design
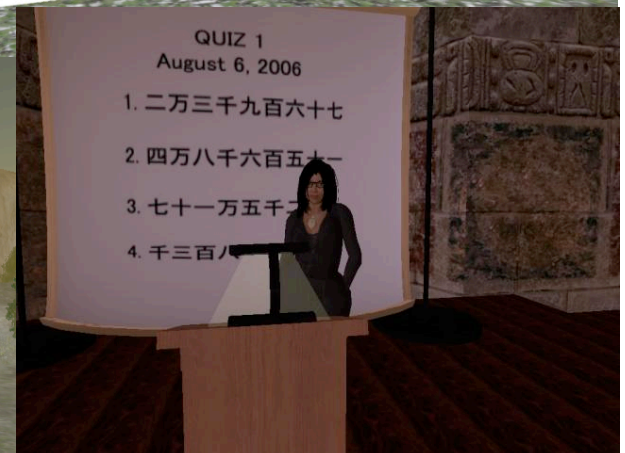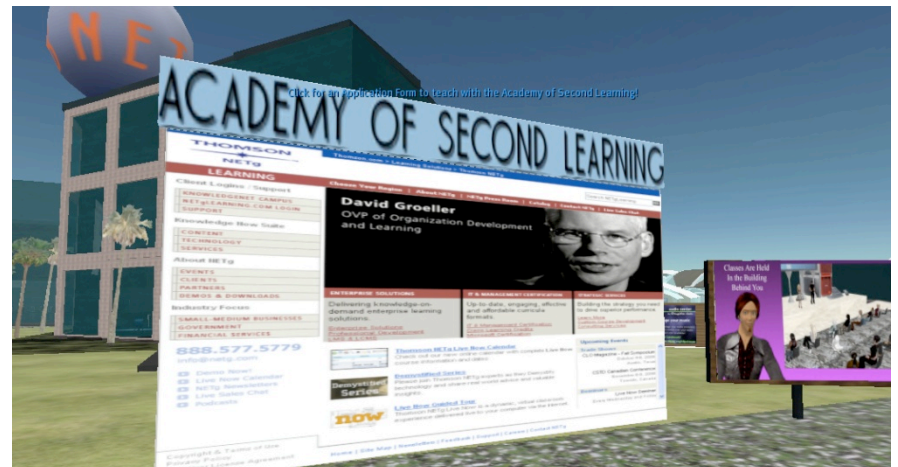
- BBH
- Text100

Several ad agencies (Text100 and BBH, for example) are using Second Life for client meetings and presentations.

Location & SLURL: BBH 163, 90, 47: http://slurl.com/secondlife/BBH/163/90/47/?title=BBH

Location & SLURL: Text 100 Island 142, 181, 120: http://slurl.com/secondlife/Text%20100%20Island/142/181/120/?title=Text100

- Thompson NETg
- Education
- 'Strong Angel' disaster simulation

As an extension of using Second Life for meetings, many companies as well as colleges and universities use Second Life for training.

The most obvious business example is Thompson NETg, which recreated it's courses in Second Life and offers you the opportunity to become certified from within Second Life or at a real life location.

Location & SLURL: Thomson 51, 101, 34: http://slurl.com/secondlife/Thomson/51/101/34/?title=Thomson%20NETg

There are more than 100 education institutions in Second Life, with presence ranging from a project for a class, to an entire series of class meetings, to departmental presence, including research projects and more. These institutions have created a robust education community in Second Life.   In addition, there are some Second Life-only education institutions: TeaZer's U and NCI (New Citizens' Island), which offer classes to residents in hundreds of topics from scripting in Second Life to Japanese and financial management.

Location & SLURL: NCI South, Hamnida 236, 60, 111: http://slurl.com/secondlife/Hamnida/236/60/111/?title=NCI%20University

Second Life's building tools provide a rich arena for simulations. There are several simulations to train people to manage disasters, from an airport disaster simulation to a full-scale training simulation created for Strong Angel III -- they're an international disaster response project http://www.strongangel3.net , but their Second Life build actually looks like the ruins of the ancient Agora of Athens.

Location & SLURL: Strong Angel 135, 149, 46: http://slurl.com/secondlife/Strong%20Angel/135/149/46/?title=Strong%20Angel%20DIsaster%20Sim

The Idaho Bioterrorism Awareness and Preparedness Program has used Second Life for disaster simulations.

Location & SLURL: (not in Second Life at this time)

- ## Bank interior

Using Second Life to evaluate branch designs

- Viewers could relate to real life environments

"I feel like I'm in a car showroom"

"It is quite similar to my own bank here in the Netherlands"

- Could make recommendations, expressed/disclosed needs

"More windows would be nice"

"I want to know just where I need to go - signage would help"

PA

Y o u r   W o r l d .   Y o u r   I m a g i n a t i o n

Second Life provides a rich arena for customer research and feedback. Businesses have found that residents are fully engaged, but that the virtual world and lack of gesture cues reduces inhibitions about hierarchy and other social classifications and provides more effective feedback. Plus, it's cheaper and quicker to prototype many objects in Second Life than in the real life, and you can make modifications in front of the customer.

One example is a set of bank interiors a bank wanted to construct to get customer response and traffic pattern behavior. What would have taken months in the real world took weeks in Second Life. And was less expensive.

Location & SLURL: PAConsulting: Banking Demo2 36, 136, 24: http://slurl.com/secondlife/PAConsulting%202/36/168/24/?title=PAConsult-Bank%20Demo

More description:

http://slmascot.blogspot.com/2007/03/pipped-to-pa-2.html

Toyota, for example, uses Second Life to conduct additional market research on its highly successful Scion brand: The ways in which avatars customize their Second Life Scions with aftermarket add-ons sheds light on how actual Scion owners customize their cars in reality.

Location & SLURL: Scion City 47, 38, 23: http://slurl.com/secondlife/Scion%20City/47/38/23/?title=Scion_City

Most companies wrap secrecy around their customer research, so there are few examples that can be shared.

- Vodafone
- Pontiac
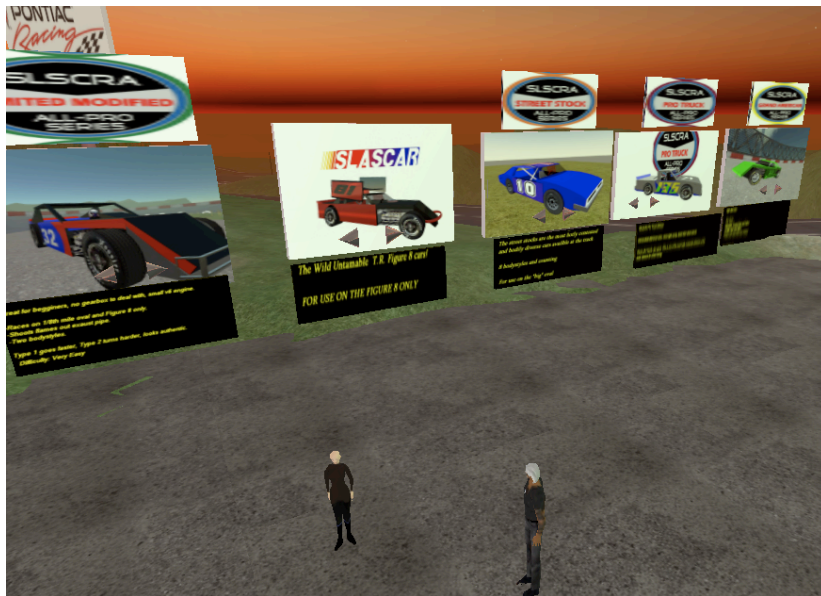
There are many ways to create a presence for your brand. Two interesting ones in Second Life:

Vodafone's "Water Cooler". Rather than push Vodafone's business or products, this setting engages residents to interact with each other and the puzzles and activities provided by the "water cooler" -to simulate the engaged conversations that happen in real life around the 'water cooler.'

Location & SLURL: Vodafone 4, 213, 167: http://slurl.com/secondlife/Vodafone/4/213/167/?title=Vodafone

Pontiac created a special place for car buffs that encourages them to display their creativity by offering accessories, customization and services for cars. If you ever wanted to open a chop shop or do custom pin-striping, now you can!

Location & SLURL: Pontiac 128, 127, 20: http://slurl.com/secondlife/Pontiac/128/127/20/?title=Pontiac

Neither of these companies are selling product in or through Second Life. They're trying to connect with residents and build a community and interaction around their brand attributes.

- Alzheimer Society
- Reuters
- CDC
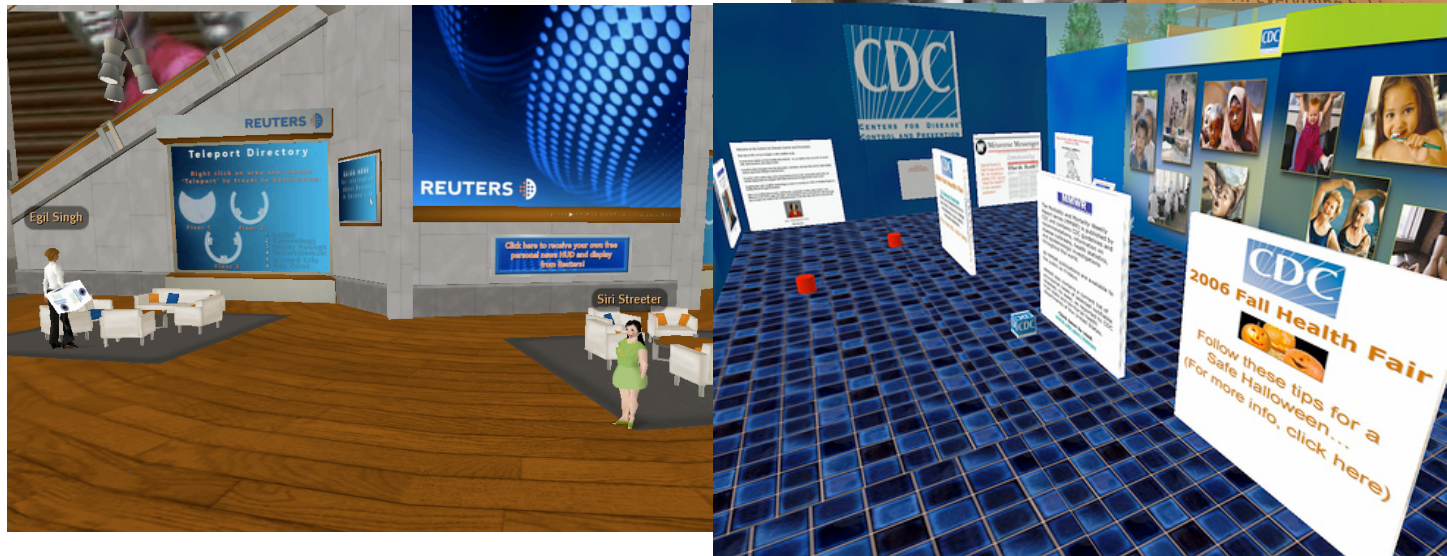
Another use of Second Life is to provide exhibits and to share information.

The Alzheimer Society of Ontario provides an exhibit with information about Alzheimer's. The exhibits are interactive -clicking on a photo brings up information about that aspect of Alzheimer's and points people to related resources.

Location & SLURL: Alzheimer Society of Ontario - Info Island II 39, 61, 26: http://slurl.com/secondlife/Info%20Island%20II/ 39/61/26/?title=Alzheimer%20Society

The Centers for Disease Control (CDC) also has a presence in Second Life and is using it to raise community awareness of health issues and to expand their vehicles for communicating. They've created a Health Fair as a first step in using Second Life as a communication channel.

Location & SLURL: CDC: Juwangsan 218, 223, 61: http://slurl.com/secondlife/Juwangsan/218/223

Reuters has a news bureau in Second Life with a full-time reporter. Articles from Second Life are carried by Reuters just like those from other locations. In addition, Reuters provides several news services in Second Life - an RSS feed from Real-world news that appears as a ticker on your Second Life screen, as well as other information and video available in their Second Life headquarters.

Location & SLURL: Reuters: Reuters 125, 104, 25: http://slurl.com/secondlife/Reuters/125/104/25/?title=Reuters

- # In Second Life
- # Second Life to Real Life
  - ◦ Dell
  - ◦ Life2Life
  - ◦ American Apparel

Y o u r   W o r l d .   Y o u r   I m a g i n a t i o n

Let's be clear up front. You won't get rich selling your product in Second Life-- yet. Especially if it's something that isn't really necessary in Second Life - like food! Second Life today is not large enough, or the audience mature enough to create a large enough audience for any particular brand or product; and in Second Life, everything is pretty inexpensive compared to the real world - $100 shoes aren't unheard of in real life, but that's a pretty pricy pair in Linden dollars!

Residents have been successful - some of them - by a combination of starting small, building word-of-mouth, finding high-traffic areas, and promoting and advertising their products. Few outside businesses have committed to the effort and time required to create that kind of visibility for themselves in Second Life.

Location & SLURL: Nite'N'Day Clothes, Couture Isle 142, 125, 48: http://slurl.com/secondlife/Couture%20Isle/142/125/48/?title=Couture%20Isle

Buying real-world goods from Second Life is an interesting opportunity. The scripting language built into Second Life enables you to interact with web pages. Shopping in Second Life has aspects of both real world and web - you can interact socially, like in the real world, but you have the reach and choice of the web.

Dell has created a factory where you can configure an Second Life Dell computer you can have - and, at the click of a button, that information is sent to the Dell configuration web page, so with a few clicks you can buy the computer you just configured in real life from Dell's website.

Location & SLURL: Dell Island 152, 95, 25: http://slurl.com/secondlife/Dell%20Island/152/95/25/?title=Dell (note you have to fly to the Factory, which is behind and to the left of the main Dell center on a separate space; they've prohibited teleporting there.)

Several businesses in Second Life have used the Amazon Web Services to enable you to search Amazon from within Second Life, select an item, add it to your shopping cart, and check out. When you do, the Amazon checkout webpage opens and you can complete your purchase. (Besides Life2Life, there's Second411 and Jnana; all have a different way of interacting with Amazon Web Services, but the net result is the same.)

Location & SLURL: Life2Life, Blackje (31, 194, 103): http://slurl.com/secondlife/Baekje/31/194/103/?title=Life2Life

American Apparel links the posters over the clothes racks in their Second Life store to their real-world web site to purchase the item.

Location & SLURL: American Apparel - Lerappa151, 63, 26: http://slurl.com/secondlife/Lerappa/151/63/26/?title=American%20Apparel

- # American Apparel
- # Duran Duran

Duran Duran's Nick Rhodes Talks Second Life
Posted Thursday, August 10th, 2006, at 2:25 pm Eastern by Mark Wallace
Tags: avatars, interview, music, news, Second Life, Viacom, video, virtual worlds, VW services

Remember the blonde-haired male avatar you were dancing with at that goth club in Second Life a couple of weeks ago, the one with a recent rez date who seemed like he might still be getting his legs in SL? It just might have been Nick Rhodes, keyboardist and songwriter for the platinum-selling new wave band Duran Duran. I just got off the phone with Rhodes, talking to him about the futuristic utopia the band is now working on creating in Second Life, and I was pleasantly surprised to find he really does seem to "get it" where the virtual world is concerned, and is

Results 1 - 10 of about 59,500 for "duran duran" "second life".

Your World. Your Imagination

American Apparel was the first major company to use presence in Second Life to generate real-world PR to enhance their brand and visibility. Many others followed, including Duran Duran and Reuters. Over time, this strategy has diminished in effectiveness. Enough firsts have been announced that it's hard to have a genuine first anymore, and the press has lost some interest in Second Life launch stories. However, PR can still be an effective component of your overall presence in Second Life.

American Apparel also provides links from store posters to their real-world website to purchase clothing, and also sells Second Life versions of some of their clothing.

Location & SLURL: American Apparel - Lerappa151, 63, 26: http://slurl.com/secondlife/Lerappa/151/63/26/?title=American%20Apparel

Duran Duran made a huge splash in summer 2006 with their announcement of a Second Life presence, that got them more press coverage than they'd had in the prior year. At this time, they no longer have a presence or location in Second Life.
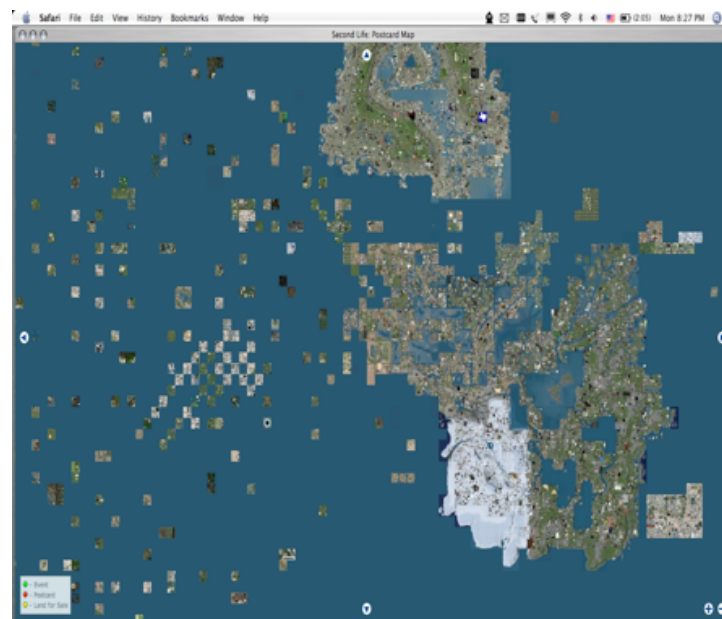
Presence in Second Life still has some value as part of a broad PR strategy, either as part of a broader customer outreach story, or as an opportunity to provide a unique set of services.

OK, so now you know what you want to do in Second Life - what do you do next?

- Linden Lab is Hosting
- Revenue from land sales
- No content creation services
- OS client

Most people assume that you must talk to Linden Lab and get their permission or assistance to enter Second Life. Not so!

Rather than think of the online game industry as a model, think of the internet:

- To put content on the internet, you find a designer to create the content and an a server to host it.

- Second Life is the same - using internal or external expertise, you create your content. Then you lease land (I.e., server space) from Linden Lab to put up your content in Second Life.

Linden Lab's business is really that of an hosting service or ISP - renting server space. Our primary source of revenue is land "sales".

Linden Lab does not create content. We refer all content creation requests to our developer community (http://secondlife.com/developers/directory.php)

Recently we released an Open Source version of the Second Life client. That enables many people to contribute to improving the client. It also allows you to create a custom, branded experience for your audience all the way from your website to the Second Life client, and their initial experiences in Second Life. That way you can control the user experience and integrate Second Life tightly with your brand and identity.

- Plan - outcome, purpose
- Get or hire skills (developers)
- Buy land (if necessary)
- Create community
  - Traffic
  - Engage, interact
  - Start small
  - Leverage
  - Publicize

So, what are the steps you need to take to enter Second Life? They're really much the same as any other marketing activity or project.

1) Define your goals, your purpose, your outcome. Second Life seems a lot like the early days of the web where everyone had to be there to be there, but wasn't sure why they'd put up their webpage. The projects that stand out and attract Residents are those that have clear understanding of what they're trying to accomplish in Second Life.

2) Find the resources internally or externally (through the Second Life developer community) to create your project

3) Buy land - if necessary; you may be better served by renting space, or partnering with some business already in Second Life and using some of their space to get your feet wet and try out your ideas!

4) Build a community around your presence - give people a reason to come back, to interact with others.

People do this through interactive experiences, through events and concerts, through contests, or just through facilitation - having someone around who can be friendly and helpful and get a conversation started. There are many ways, depending on what your objectives are. Those that work best build ways for residents to interact and have some relationship with your brand or identity.

Don't be afraid to leverage existing community and resources: broadcast to the clubs in Second Life, rather than building your own;

take advantage of the many Second Life periodicals - the residents do; - to advertise, place articles,and generate visibility; use the Events listing, and other ways to promote your product, event, or location in Second Life.

- Behavior
  - Engaged, but not constrained
- Interaction
  - All objects can be scripted
  - No material costs

Here is our perspective & experience to help you start planning what you might do in Second Life.

Second Life is like Real Life in many ways. But there are at least two ways it's not. To be successful, you need to think carefully about how it's like the real world and about how it's not.

Second Life is like Real Life - think about what you need to do if you want to be successful with a store or product in the real world - or on the web. You need to drive traffic by advertising and publicity. The same is true in Second Life. You can take advantage of the many Second Life-related publications (examples: Metaverse Messenger, Second Style and SLBusiness) to place articles or advertising about your Second Life product or location. Take advantage of Second Life's free event listings to publicize events to bring people to your location.

Now, let's focus on the two ways Second Life is different.

Firstly, people treat their avatars as an extension of themselves in Second Life (Research at Stanford shows avatars stand the same distance apart as people do in the real world, for example). It's not a puppet, it's them. However, the lack of face expressions and gestures and the ability to customize your avatar removes cues that drive social distinctions in the real world. The result is that Second Life seems to allow people to speak more freely and be more willing to approach others: two examples are a junior staffer talking to the CEO, or the person who never speaks at real life meetings offering comment in an Second Life meeting. This makes Second Life a great place for customer research, focus groups, and product prototyping.

Secondly, every object in Second Life can be scripted. This enables anything to be able to interact with Residents. So you can have a sign that gives a cap to anyone who touches it or teleports them to your property (or gives them Linden dollars, like HippyPay does for completing its surveys). Or tracks how many people clicked it.   This gives you great opportunities to interact with customers rather than just counting eyeballs.

When you consider that there are no material costs in Second Life, there is another opportunity. You can give objects away for free. You can also allow them to be copied, so others can give them away for free. Obviously, some things you don't want to give away because it will impact the economy in Second Life (giving away free houses, for example). Now consider that you can script the objects you give away. You can track their distribution, and you can have them interact. For example. If you gave away a free cap, you could script the cap so that any person who gives away 20 of them gets a free Second Life or Real Life product. Or if 5 people wearing the cap gather together, fireworks go off or snow starts falling. The possibilities are limited by your imagination. The combination of scripting and object ownership can be used to fuel viral campaigns in Second Life.

Second Life.com business pages:
- http://secondlife.com/businesseducation/

Linden Lab
- http://lindenlab.com

Your world - your imagination. Welcome to Second Life.