



Viewpoints

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Virtual Worlds

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How to Harness the Innovation in Second Life

Why is this topic significant?

APPLICATIONS in **Opportunities** in the Technology Map highlights virtual worlds as potential tools to help companies innovate and develop new products. Although virtual worlds for innovation is a nascent field, some companies are already trying to tap the creativity and innovation potential within the current generation of Second Life residents.

One goal of SRI Consulting Business Intelligence's Virtual-Worlds Consortium is to examine how companies can improve their innovation practices with virtual worlds. Possibilities include improving the communication between the virtual teams that create new products, prototyping products in virtual worlds, and creating virtual-worlds systems that guide teams through structured innovation processes. Another possibility, which this Viewpoints examines, is to harness the creativity of existing virtual-worlds communities, particularly current Second Life residents who have consistently demonstrated their capacity and enthusiasm for creating new virtual objects. Companies that have run initiatives to tap into some of the creativity of Second Life residents include Electrolux, Coca-Cola, Pontiac, Starwood Hotels, and Alcatel Lucent.

In partnership with the Explorer service, Viewpoints, a monthly bulletin, alerts VWC members to commercially significant virtual-worlds developments. See the *Virtual-Worlds* Technology Map for a comprehensive assessment of issues, uncertainties, and opportunities. These and related issues and developments will also be discussion topics at VWC meetings.



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Examples of Companies Tapping Creativity of Second Life Residents

- *Electrolux*. Electrolux has embarked on a series of innovation-related initiatives and competitions within Second Life. The company began by launching its “Innovision Hub” with an awards ceremony for residents who had created some of the most useful and desirable inventions in Second Life. The company followed this ceremony up with a 100 000-Linden-dollar competition to create a word for what would “make your virtual lives easier and more enjoyable.” The winning word was *Metapparatus*, “an all encompassing tool used in a virtual world to make interactions and processes easier.” In its current initiative, Electrolux is providing a series of 100 000-Linden-dollar (about \$370) awards (in phased payments) to residents wishing to build new inventions for the Second Life community. Crucially, Electrolux will allow creators to retain ownership of these inventions. Also interesting is that Electrolux required residents to submit their ideas in a structured format somewhat comparable to how one would pitch business ideas in the real world. From the Electrolux submissions criteria:
 1. Describe the problem you’re trying to address.
 2. Describe a thoughtful, cutting-edge and innovative solution that is based on consumer insights.
 3. Describe how you or your team is prepared to meet that challenge.
 4. Describe how long you think it will take your team to complete the project.
 5. Be as detailed as possible. How is this innovative? Will it be free or for sale? How will it help Second Life users?
- *Alcatel Lucent*. In October 2007, Alcatel Lucent launched a competition for Second Life residents to envision and design virtual wireless devices and applications that they think will be possible in the real world by 2017 when Alcatel Lucent believes access to high bandwidth (4G or fourth-generation) wireless networks will be common. Alcatel Lucent is providing a sandbox area in Second Life equipped with application-development tools and simple user-interface components to help residents build their ideas. Contestants must submit their ideas by 1 December 2007, after which Alcatel Lucent will judge entries and award a prize of 50 000 Linden dollars. One controversial aspect of this

competition is that Alcatel Lucent states that all entries will become the property of the company upon submission. How competition entrants react to this claim will be interesting to watch.

- *Coca-Cola*. Coca-Cola ran a competition during 2007 inviting Second Life residents to create an in-world Coke machine that would dispense “experiences rather than beverages.” The winning design was a puzzle bottle that residents could solve and then gain access to a snow-globe photo booth, a bubble ride, and a snowball vending machine.
- *Pontiac*. Many readers may already be familiar with Motorati Life, a motor-themed island in Second Life where residents can apply to Pontiac with automotive-related designs and gain free virtual land on which to build their designs.
- *Starwood Hotels and Resorts*. One of the oldest examples of innovation in Second Life is still one of the most compelling. Starwood Hotels and Resorts is the owner of various hotel brands, including Westin and Sheraton hotels. The company has developed a new line of moderately priced loft-style hotels due to be available in 2008. During 2006, the company put up a virtual prototype of the hotel in Second Life and invited residents to provide feedback and comments on the design. In spring 2007, Starwood replaced the prototype with the final design before donating the land space to a competition winner. Starwood’s initiative went one step further than most other cocreation examples here and gained real feedback about a new product.

Marketing versus Product Development

The cocreation activities above are largely driven by marketing departments, not by product-development or research and development departments. As a result, the primary goal of these initiatives is to engage Second Life residents with a company’s brand; useful outputs from the creative process are typically secondary. Such initiatives have come about because marketing and advertising professionals with experience of Second Life know that passive campaigns (such as virtual showrooms) are unpopular and gain little visibility. These professionals also know that many of today’s active Second Life residents are creative and enjoy building new virtual objects. Marketing campaigns that involve residents’ applying their creativity are therefore compelling, especially because they encourage residents to spend substantial time and creativity being active with a brand, and they generate more media interest than does a passive campaign.

But the fact that these Second Life creative initiatives are marketing led does not mean that they have no relevance for a company's own innovation processes. Starwood was able to garner feedback about a real prototype, and Alcatel Lucent will likely gain useful insight into consumers' ideas, needs, and visions for future portable devices. Electrolux has taken a unique approach by distancing itself from its real-world product lines and concentrating on resident-led innovation. Potentially, however, Electrolux may also gain insights about consumer needs as well as new ideas that could feed back into its own product roadmaps.

The Changing Culture of Second Life and Future Directions

One factor that may change the nature of these initiatives in the future is that the Second Life community, particularly the active Second Life community of some 300 000 residents (see the September 2007 Viewpoints) is made up of innovators and early adopters who exhibit a far higher degree of creativity and willingness to contribute ideas than does the general population. If Second Life and other virtual worlds start to move beyond these consumers and reach mainstream consumers, then the creativity of virtual-worlds populations may decline, perhaps promoting a return to more traditional marketing campaigns. Facebook, Flickr, YouTube, and other so-called Web 2.0 applications suggest that mainstream consumers have some desire to express themselves and exhibit creativity, though this desire is typically on a limited basis such as selecting items to display on a Facebook page from a defined set of options.

Companies have begun to demonstrate that people can use virtual worlds to innovate and contribute to new product development. In particular, companies have been able to harness (albeit in a limited way) the creativity of Second Life residents. This creative population may not be around or as willing to contribute forever, so companies interested in this opportunity should move quickly. The wider issue of how virtual worlds can help companies improve their innovation practices remains in its nascent stages, though I expect to see many more developments in the months and years ahead.

ABOUT THE VIRTUAL-WORLDS CONSORTIUM AND SRIC-BI

The Virtual-Worlds Consortium (VWC) is a new research consortium from SRI Consulting Business Intelligence (SRIC-BI), a research and consulting firm with a long history of research in technology, innovation, consumer behavior, and learning that spun out of SRI International to provide in-depth analysis and evaluation of virtual worlds. The consortium monitors and examines ongoing virtual-worlds trends and developments, including innovative business applications of virtual worlds and new technologies that enable new virtual-worlds capabilities. Activities include meetings, in-depth research, scanning and monitoring of trends and developments, Second-Life sessions, interactive discussions online and offline, and peer-to-peer dialogue and networking to generate useful and actionable insights. Such insights will help organizations make better decisions about how best to leverage virtual worlds for effective innovation and learning. In partnership with the SRIC-BI Explorer service, Viewpoints and the *Virtual Worlds* Technology Map are available to VWC members.

For more information about SRIC-BI and its programs and services, see www.sric-bi.com; e-mail info@sric-bi.com; or phone +1 650 859 4600 in the United States; +44 (0) 20 8686 5555 in Europe; +81 3 3222 6501 in Asia.