Banking in Second Life: Marketing Opportunities and Repercussions

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Abstract
This paper presents two cases of real banks operating in metaverses, and more specifically within Second Life, in order to highlight the potential of such worlds as business and marketing platforms. We present the way the selected banks develop a business and marketing presence in the three dimensional environment by looking at the similarities and differences among their approaches. Subsequently, we emphasise the marketing implications of their approaches by examining the customer relationship management repercussions. At the end we provide further insights into this evolving and dynamic business phenomenon, highlighting specific avenues for future research.

Keywords: virtual worlds, electronic marketing, banks, customer relationship management, metaverses, Second Life
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Introduction

Marketing, and more specifically advertising and the promoting of products and services, was one of the most significant areas in which electronic business was affected from the outset of the Internet’s introduction. This started by simply using emails to communicate promotional messages and web pages to display advertising banners, and then gradually evolved to a wide range of sophisticated mechanisms. Another evolution, or as many would argue a revolution, could be seen in the advent of three dimensional virtual worlds, which are often wrongly perceived as ‘just games’. Even the term ‘virtual world’, although it “captures the open-ended and broad nature of these arenas, pointing to the ever-increasing possibilities for action within them” [1], does not fully capture the essence of these three dimensional digital environments, as referring to them as ‘virtual’ misses their ‘real’ elements. In this paper, we will refer to these worlds as ‘metaverses’, a term first used in Neal Stephenson's [2] novel Snow Crash, in order to describe how a virtual reality-based Internet might evolve in the future. The term metaverse aims to emphasise that these worlds are not just gaming environments, but extensions of our physical universe, to which they add new dimensions for economic, social and leisure activities to take place.

In this paper we will use such a world, that of Second Life, to present and discuss two case studies of banks that use Second Life as a medium to market their products and services. The structure of the paper is as follows: the next section examines both the key tenets of the relevant marketing literature and Second Life. It is then followed by an analysis of the two cases, whilst the last section concludes the paper by presenting avenues for future research.

Electronic marketing and Second Life

Information technology and the Internet create major changes in the way modern business environments operate [3]. Examining the service industry, Wymbs [4] illustrates the way the Internet shapes and transforms that industry by highlighting the key factors that necessitate its gradual transformation. Davis et al. [5] confirm the above by researching the relationship marketing dimensions in electronic environments, whilst Durkin and Howcroft [6] examine the impact of these technologies for relationship marketing aspects for banks. The latter paper provided the results from a cross-country study that showed the key role of the Internet as a relationship marketing medium. In principle, relationship marketing deals with the ways firms manage relationships with their customers with the ultimate aim to improve customer loyalty and the firm’s profitability [7]. By employing information technology, banks can develop relationship marketing strategies, including customer relationship management strategies. The above issues are relevant to this paper considering the increased use of the Internet channel by bank customers and the latest presence of banks in Second Life, a Massively Multiplayer Online Role Playing Game (MMORPG).

MMORPG are games that are played by a very large number of players, often in the millions (for a comprehensive review please see [8]) and they could be considered as an intermediate step from ‘computer’ to ‘ambient’ era [24]. Many of these games (e.g. World of Warcraft) often evolve around a theme that defines the goals of the game; for example the player has to accumulate resources and accomplish tasks to gain more experience and skills in order to develop further his or her character. Other ‘games’ (e.g. Second Life) encourage a free-style of playing, allowing the users to make what they want out of it. Although it can be difficult to measure the size and growth of such games or virtual worlds, it has been estimated that the market for massively multiplayer online games in the West alone is now worth more than $1bn [9], which is indicative of their growth in the past few years. This is better illustrated when one considers the growth of Second Life itself. According to Second Life’s website (http://www.secondlife.com) on the 1st of October 2006 their world had more than 800,000 users. By early December 2006 Second Life’s population had not only exceeded the 1 million milestone, but doubled its population and reached 1.77 million users, while by mid January it had further increased to 2.67 million. Three months later, i.e. mid April 2007, the total number of residents had exceeded 5 million users, with 1,648,386 of them logged on in the previous 60 days, and with the residents spending US$1,588,469 in the preceding 24 hours. With this kind of daily volume (which has doubled in six months) the Second Life world sees about half a billion US$ being transacted every year.

Second life as a business and marketing platform
Second Life is a continuous and persistent world that was designed to provide users with control over nearly all aspects of their world, in order to stimulate users’ creativity and self-expression, translating into a vibrant and dynamic world full of interesting content [10]. In Second Life users can be whoever they want to be and do whatever they want through their avatars, i.e. the virtual character that will be representing them: they create the game, develop characters, objects and so on, and developers mainly manage the game and provide creative tools [11]. The design and scripting tools provided by Linden Labs enable users to create objects from scratch, not just craft them out of limited resources controlled by the world’s developers. This is very significant as users “must be able to create truly new objects, to add value and innovate during the process of creation, and the market must be allowed to determine which creations have real value” [12]. “In worlds like Second Life, where user creation is a major component of the world and game play, a fundamental tension exists between asking the players to create the world and then having the world operators take ownership of everything they make.” [12] Therefore, the copyright belongs to the creators and not the game developers. Copyright can then be exploited commercially, benefiting the creators, who can transfer their gains outside Second Life by converting Linden Dollars, the currency used in Second Life, into real world money.

Table 1 below shows the number of Second Life business owners, using Positive Linden Dollar Flow (PMLF). According to the Second Life website, PMLF looks at the flow of Linden Dollars into a unique user’s account before Linden Lab Charges are applied to the account. Although PMLF does not include all transactions undertaken related to Second Life, it is still a good estimate of the number of Second Life business owners and their performance over the last seven months. The trends indicate a thriving business community and a number of successful entrepreneurs have already emerged [13].

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<td>&lt; $10 USD</td>
<td>5,180</td>
<td>6,285</td>
<td>7,098</td>
<td>9,000</td>
<td>11,396</td>
<td>13,490</td>
<td>16,598</td>
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<td>$10 to $50 USD</td>
<td>2,770</td>
<td>3,402</td>
<td>3,592</td>
<td>4,535</td>
<td>5,671</td>
<td>6,625</td>
<td>8,692</td>
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<tr>
<td>$50 to $100 USD</td>
<td>760</td>
<td>866</td>
<td>1,010</td>
<td>1,239</td>
<td>1,489</td>
<td>1,690</td>
<td>2,133</td>
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<td>$100 to $200 USD</td>
<td>566</td>
<td>692</td>
<td>797</td>
<td>921</td>
<td>1,119</td>
<td>1,289</td>
<td>1,635</td>
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<tr>
<td>$200 to $500 USD</td>
<td>524</td>
<td>563</td>
<td>671</td>
<td>823</td>
<td>1,018</td>
<td>1,165</td>
<td>1,415</td>
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<td>$500 to $1,000 USD</td>
<td>228</td>
<td>263</td>
<td>289</td>
<td>350</td>
<td>386</td>
<td>496</td>
<td>631</td>
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<td>$1,000 to $2,000 USD</td>
<td>125</td>
<td>160</td>
<td>179</td>
<td>229</td>
<td>263</td>
<td>283</td>
<td>395</td>
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<td>$2,000 to $5,000 USD</td>
<td>77</td>
<td>92</td>
<td>94</td>
<td>140</td>
<td>188</td>
<td>211</td>
<td>278</td>
</tr>
<tr>
<td>&gt; $5,000 USD</td>
<td>37</td>
<td>41</td>
<td>58</td>
<td>90</td>
<td>97</td>
<td>116</td>
<td>152</td>
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<tr>
<td><strong>Total Users with PMLF</strong></td>
<td><strong>10,267</strong></td>
<td><strong>12,364</strong></td>
<td><strong>13,788</strong></td>
<td><strong>17,327</strong></td>
<td><strong>21,627</strong></td>
<td><strong>25,365</strong></td>
<td><strong>31,929</strong></td>
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**Source:** Second Life Economic Statistics [14]

Many real world commercial organisations have also started recognising the potential of metaverses as business and marketing platforms; for example, Dell has started selling computers in Second Life [15], while Wells Fargo launched a pilot project, known as Stagecoach Island, intended to help young people learn financial responsibility [16]. In the next section we will present two cases of real banks that have a presence in Second Life.

Banking in Second Life

To get a deeper understanding of the presence of banks in Second Life, we adopted a qualitative case study methodology implementation [17]. We visited two premises of banks in Second Life and used secondary data material from the various web sources, including press releases, interviews with bank representatives, etc. These two banks were the two cases that were subjected to comparative analysis, where underlying similarities and systematic associations are explored [18]. The two cases raised a plethora of marketing issues that are discussed below, highlighting the implications for customer relationship management.

Case 1: ABN AMRO

In December 2006 the Dutch bank ABN AMRO announced that it had become the first European bank to open a branch in Second Life: “Externally, the virtual branches were to be very similar to the
ABN AMRO Financial Centres. To begin with, the virtual branch will offer information and create a platform where (potential) customers of the bank can meet each other. ABN AMRO will be organising seminars on Second Life for specific target groups applying a customer relationship management strategy, such as business starters or new graduates (Young Professionals) and Preferred Banking clients. ABN AMRO will also use the virtual world of Second Life to recruit new staff. [19] ABN said it will not be offering banking services at first, while an ABN spokeswoman said that such services may be available in the future [20].

The decision to build something similar to the ABN AMRO Financial Centres signals the bank’s desire to create a clear link between the real world and the virtual one. Although a virtual world allows for far more ‘innovative’ and ‘creative’ approaches, replicating something familiar would not alienate the bank’s clients. On the contrary, it would help them relate more easily to the functions that the Second Life installation would aim to facilitate and the services offered as part of it, enhancing trust even if no transactions are taking place at the moment. It also makes it possible to transfer the bank’s brand into the virtual world consistently, as it only requires a duplication of what already exists.

In the ABN AMRO case the bank had developed more than islands that provided enough space for all the functions they wanted to accommodate (Screenshot 1). Generally speaking, the design was contemporary, portraying the professional image that is usually expected of such organisations. When arriving at the ABN AMRO ‘teleport hub’, the user is greeted by two signs providing simple instructions about what to expect and what to do next, helping users go up the learning curve more quickly. A ‘helivator’ then transfers the user to the main deck, from which the user can take one of the elevators depending on the place one wants to visit. The available options were:

- The business shop, which was a cylindrical dome mainly made of transparent glass and supported by steel columns. Perhaps contrary to what a user may have expected the shop offers a range of mainly business apparel. The bank also gives away free ABN AMRO promotional T-shirts.
- The financial centre. This was an identical dome to the one used for the business shop. In the centre there were many signs that offered links to web pages and brochures. As the signs are mostly in Dutch, it was apparent that the main focus was the Dutch market.
- The meeting rooms: another dome, which, as the name suggests, offered five meeting rooms. The rooms could be used by bank representatives to host meetings with clients as they would normally have done in a ‘traditional’ branch.
- The conference centre, which was a simple amphitheatre close to the beach. It could accommodate 24 participants.
- The beach club. This featured a dance floor with various dancing animations. Next to it there was a building in the shape of a tennis ball, promoting the 34th ABN AMRO World Tennis Tournament, by providing relevant information and giving away freebies.
- The landing point: the place that the user arrives when teleported to the island.
- The ABN AMRO home: this was the central place from where users could take the elevators for the rest of the places. It had a few sitting areas.

The above were the areas open to the public. There were more areas owned by ABN AMRO to which public access was restricted. The areas visited provided information about the bank’s products and services and also featured areas that could be used by potential customers to meet each other, illustrating another example of a customer relationship tactic. However, when the island was visited on a number of occasions there were not many visitors to actually meet. This could be explained by the lack of things to engage with. From the information-gathering point of view one is much better off visiting the bank’s web site. In fact, most of the information provided by clicking on the various hotspots points to web locations. From the socialising point of view, a bank is probably not the ideal place for this. Therefore, after someone has explored the region and found limited content to engage with, they would probably leave the region. Although we did not have the opportunity to visit the restricted areas, which may facilitate the rest of the targets set by the bank, we did visit the areas that target new clients and are supposed to promote the bank and market its product (another example of a customer relationship management strategy). Although this may still be early days during which the bank is exploring the different customer relationship management options available, the experience of visiting the ABM AMRO site highlights many of the challenges and opportunities of Second Life as a customer relationship management platform.
Screenshot 1: The ABN AMRO island

Screenshot 2: The Saxo Bank island
Case 2: Saxo Bank

Founded in 1992, Saxo Bank officially attained European bank status in June 2001. The bank is based in Copenhagen, Denmark. “As an investment bank whose presence is predominantly online, it is natural for Saxo Bank to explore potential and evolving avenues for online trading.” [21] Consequently, a presence in Second Life could be considered as more than just an innovative marketing exercise, but a customer relationship management move to accommodate a growing digital medium.

The Saxo Bank island (Screenshot 2) features a four floor building which is placed in the middle of their Second Life Island. Each of the floors accommodates a different function, unlike the layout selected by ABN AMRO, where each functional area was a separate building. This helps in navigating around the region, as moving from one area is much simpler and quicker. Upon entering the building the user sees 4 clear signs that represent the main four products and services that the Saxo Bank offers. Each of them links to a relevant web page. The signs themselves follow the design style of the bank’s web site, which maintains brand and design consistency across the two media. The ground floor also features an auditorium that can accommodate about 50 participants. The setting looks more corporate than the ABN AMRO amphitheatre, which was an open area next to the sea front.

The first floor hosts a trading game and users are encouraged to register and compete against each other by trying to achieve the highest profit while trading. Each week’s top trader wins L$3000. Apart from providing some engaging content for visitors, the game provides the context within which to promote many of the bank’s products. For example, on the trader’s desk there is a mobile phone that, when clicked, provides information about the bank’s mobile trading tools or a laptop that is linked to information about the bank’s web trading tools.

The second floor is the International level, which provides meeting spaces, including a bar, and is surrounded by images about the bank (e.g. the main offices in Denmark or the offices in Singapore). Again, various objects that naturally fit with the surroundings provide links to the bank’s web site. Finally, as with the International level the roof provides meeting space and nice views of the surrounding area. This includes tropical flora and a path that features carnival floats going around the building. A yacht is also anchored next to the beach. As with the ABN AMRO case there seems to be a tendency to include content that may not be directly relevant to the bank, but enhances the area and makes it visually more appealing. This is a major difference from other mainstream media like the web, where only relevant information will be included on a web site.

Conclusions and Future Research

The emergence of the Internet and virtual environments has brought extra dynamism in an evolving business landscape, in which marketing is more and more influenced by technology. In this paper we have presented two cases of real banks that have a presence in Second Life. The cases highlight many of the parameters (such as the choice of location and design, the links between the physical space, the web and the metaverse, the usability and navigation issues etc) that need to be considered when establishing such a presence in a virtual world. They also illustrate how banks attract the Second Life users and the customer relationship management tools they employ to promote further their innovative image in the marketplace.

However, is this just a customer relationship management trick that banks and other real life organisations use to try to capitalise on now that the metaverse phenomenon is still new and attracts media attention or is this something they see as having tangible value? The banks’ presence may be in the virtual world but all the press releases about them mainly target the real one! This is perhaps not surprising as economies and markets like that of Second Life can not be compared against the real markets either in terms of maturity or transactional volumes. On the other hand, a presence in Second Life or other metaverses can help increase brand awareness or even be used as a conduit for real life services, e.g. allowing a customer to check their account through their avatar [22, 23].

Future research should engage more with the designers and operators of the virtual premises in order to examine the challenges of designing and running such establishments. It should also engage with the users and study their views about the design and the functions offered. Their behaviour while on site could be captured and monitored in a number of ways, e.g. participant observations or even more elaborate tracking mechanisms. Last but not least, future research should examine the impact of these customer relationship management strategies on, inter alia, customer retention, loyalty and segmentation. For example, how successful are these strategies in terms of attracting avatars? Do these avatars then become bank customers in the real world as well? Do these strategies increase customer loyalty for the bank in both the virtual and real worlds or just one of these? As banks tend to direct their strategies to every avatar – online user, a segmentation study is recommended to unravel the right customer relationship management tactics for the appropriate segments.
References


