Social Media: The New Business Communication Landscape

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Executive summary

THE TRADITIONAL means of communicating with audiences – such as employees, customers, investment communities – have relied heavily on print-based documents, e-mail or static internet websites. Today, these methods are rapidly giving way to a new generation of internet-based tools that enable far greater levels of two-way interaction, discussion and conversation.

The media no longer own the audience. Text, audio and video are available to everyone. The internet is now the world's most powerful publishing and broadcasting platform.

The new web tools are cheap (often free) and easy-to-use, and content is now fast and easy to produce. Communicating can become seamlessly integrated with your 'regular' workload. Everyone can communicate, not just the corporate communications team. This immediacy and integration can energise your communications, creating a relationship-building ethos in the organisation that has been absent from old-style corporate communication tools.

Indeed, so fundamental has the shift been from 'static', 'brochureware' websites to the new 'conversational' ones that many pundits are calling the 'old' internet 'Web 1.0' and this new web world 'Web 2.0', reflecting dramatic improvement based, in large part, on improved software coding and functionality.

A key pointer to this shift towards a 'conversational web' is the book *The Cluetrain Manifesto*.[1] This book was the first website to be made into a book and comprises the '95 theses', which the authors called the elements of the conversational web.

The key underpinning element to the '95 theses' is that markets are now 'conversations', and unless companies are willing to enter into that 'conversation', they are going to miss out. The conversation is happening anyway, the authors contend, thus it is better to join in and have a say, than risk having lies and distortions go unchallenged in the conversations that are happening every day around the proverbial water cooler and over coffee, as well as in phone calls, e-mails, forums and online meeting areas.

The tools that enable companies to join in the conversations (happening in every industry and marketplace) have been named social media tools, because of the new social nature of the internet. Whereas mainstream media – such as newspapers, TV, radio and magazines – are traditionally one-way media devices (experts pontificate and readers have little opportunity to contribute or start any discussion with the author), social media enables players, protagonists, pundits and the public to interact, engage and build rapport more easily than ever before.

The three biggest and most widely-used social media tools are blogging, podcasting and video. It is probably impossible to count the number of blogs in the world today.

Technorati.com – the world's biggest blog monitoring and searching service – now indexes nearly 113m blogs worldwide. One hundred and seventy five thousand new blogging websites are brought online every day and 1.6m blogposts (think of a blogpost as an article published by someone on his/her own website) are published every 24 hours – working out to be 18 new posts each second.

There are currently in excess of 100,000 podcasts and the number is growing fast, though not as fast as blogs. But Apple's free software – iTunes – has done more to grow podcasting than any technical innovation other than the creation of the RSS code that allowed podcasting to exist. Podcasts are a powerful communication tool in any company's communication distribution and public relations toolbox, and more and more are turning to podcasts to engage with jaded audiences who are turning away from traditional mainstream media outlets in ever greater numbers.

Add to this the recent boom in online video through YouTube and the millions of photos uploaded through photo storage and sharing services like Flickr, and you can see how the internet is transforming into a broadcasting, as well as a text-based publishing platform.

Micro-blogging services like Twitter and Jaiku are just the latest in a long and never-ending line of improvements in the technical process of communication.

Every month sees new innovations and services aiming to facilitate conversations, but keeping up with them is more than a full-time job. Without a personal network of informed, net-savvy peers, any communicator and leader would be hard-pressed to know what the right tools are in any given situation. Without a robust strategy, even the best tools can turn out to be useless.

In this report the reader will be able to tap into the collective minds of some of the world's sharpest thinkers in the areas of business and leadership communication. The reader will learn of the various communication challenges that affect and afflict all organisations, the strategies that overcome them and the tools needed to change the way your organisation communicates to the marketplace.

The report is also punctuated with case studies, which enable the reader to learn and discover how other organisations have met the communication challenges associated with social media tools, and gain confidence to try out some of the many ideas captured in this report.

The report is divided into six chapters. Chapter 1 introduces social media and looks at the evolution of communication. This chapter gives the reader a solid grounding in the major 'players' of the social media landscape and the underpinning technologies of blogs, podcasts, vidcasts (video podcasts) and wikis. Readers can come away with tips and hard-won secrets from the trenches of the social media front line, i.e those organisations which have long been experimenting with social media tools and have learned lessons from the pitfalls.

Chapter 2 takes the reader through the virtual worlds journey, considering what kinds of virtual worlds and major players there are in each type, and their geographic, demographic and psychographic differences that exist within all of these various and varied properties.

Chapter 3 offers expert advice on how to engage your social media audience and have them positively attend to your brand, product or service. You could, of course, visit every single social networking property and spend innumerable hours on each of them, or you could utilise SMART (Social

Media Aggregation and Republishing Tools©) to better manage your valuable time. The principles of online marketing haven't fundamentally changed, but they have been reshaped by the rules of engagement in this new communication landscape.

The best tools in the world are useless without a plan and Chapter 4 examines the implementation of a social media strategy to inform internal cross-company communication, thought leadership, community brand raising, digital reputation, crisis communications and team working. This chapter also enables the reader to discover how others have solved the business communicator's perennial challenge of how to 'sell' communication innovations to senior management and how others are measuring the impact of social media on their communications and digital reputation.

Chapter 5 investigates some of the bleeding-edge tools available to business communicators and social media practitioners, and enables the reader to decipher the obscure language of the media gurus to gain a better understanding of what is on offer.

Chapter 6 analyses where the new communication landscape is leading us and why having a sense of history is vital to avoid being accused by sceptics of 'drinking the 'Kool-aid'. There is no doubt that much of what is currently unfolding in the social media space is challenging to existing practitioners, but there are lessons to be learnt from both old technologies and old practices, and benefits to be gained from applying the relevant elements of old processes with the new technologies. I hope after reading this report you will be able to recognise a pothole from a mile away.

In addition to the six chapters, there is a useful glossary of social media terms appended to the report, as well as a list of additional resources should you wish to explore this new communication landscape further.

It's a really exciting time for business communicators at the moment and your own personal journey starts on the next page...

Reference

1. Levine, F., Locke, C., Searls, D., and Weinberger, D., *The Cluetrain Manifesto*, Basic Books.

About the author

LEE HOPKINS is a management psychologist and business communicator with nearly 30 years of experience in helping businesses communicate better for improved results and financial returns.

At the leading edge of online business communication in Australia, Lee understands the transformative nature of social media and he spends a considerable amount of time advising businesses, business communities and individual business communicators on the tectonic cultural shifts that new communications technology is facilitating, and how they can best position themselves to take advantage of them.

In addition, he is currently undertaking doctoral research at the University of South Australia's School of Communication, looking at how virtual worlds can impact on the effectiveness and profitability of small to medium-sized businesses.

An internationally sought-after speaker, Lee combines his passion for employee and online business communication with his dynamic presentation skills to create 'once seen, never forgotten' live experiences.

He has written over 200 articles on business communication available for reading at: http://www.LeeHopkins.com. Additionally, his blogs, podcasts and vidcasts can be found at: http://www. LeeHopkins.net

Chapter 2: The virtual world

THERE ARE some who say that the virtual world is the future of the internet. I happen to be one of them.

Being *versus* doing

Going to the movies is great fun, but I get fidgety after a while. It's not just the seating that causes it; quite often, it's the immersive nature of the film itself. I may be overly suggestible, and I find it hard not to flinch when the hero gets hit, or duck under bridges that race towards me on the screen. After a while, I feel a real need to get up, stretch and unclench the muscles in my legs and hands. I have a very real need to take some sort of action to release the tension I've built up in my body. I much prefer to 'do', rather than passively sit and watch someone else 'doing'.

Figure 1: Some of the most popular virtual worlds

Figure 2: Habbo Hotel room with friends

Figure 3: Habbo Hotel screenshot during its beta phase

Service	Registered users	Revenue (2008) estimated US$	Valuation (2008) estimated US$
Habbo Hotel	125m	74m	1.25bn
Gaia Online	7m unique visitors per month	10m	?
Stardoll	20m	30m	450m
Club Penguin	12m	50-150m	350-700m
Yoville (*via* Facebook and MySpace)	6.6m unique visitors per month	?	?

Table 1: Most popular 2.5D worlds – Europe and North America

Service	Registered users	Revenue (2008) estimated US$	Valuation (2008) estimated US$
Cyworld	22m	200m	1.25bn
Mobile Game Town	12.6m	250m	1.4bn
Gree	8m	60m	1.2bn
Nicotto Town	100,000	?	?

Table 2: Most popular 2.5D worlds – Asia

Thankfully, there are places I can go to on the internet, where I can 'do'. Not yet, unfortunately, where I can run around in order to release the tension in my legs, but places where I can actually interact with the environment around me – change the plot of the movie, if you like – rather than passively sitting and letting the story wash over me.

These places are known as virtual worlds (or vw as they are often abbreviated to) and they mirror our real world in ways that are constantly surprising.

Arguably, the most well-known virtual worlds in the business community is Second Life (also often abbreviated to SL), but it is by no means the only virtual world – indeed, in population terms, it is only a small fish in a rapidly-expanding sea.

Nor are virtual worlds built just for adult users; many of the most popular (and financially lucrative) virtual worlds are aimed at children and teenagers.

Let's start our journey through the virtual worlds labyrinth by considering what kinds of virtual worlds and major players there are in each type.

2.5-dimensional (2.5D)

The 2.5D virtual world is, most often, a room or other environment as seen from the perspective of a camera at 45 degrees elevation.

The most popular virtual worlds using a 2.5D perspective are (at the time of writing) in Europe and North America (see Table 1). In the Asia/Pacific region, however, other 2.5D worlds 'come out to play' (see Table

2). It should be noted that figures around the most popular virtual worlds in China are hard to verify, but hopefully, future increased levels of transparency will make research and comparison easier.

3-dimensional (3D) – Second Life

The true 3D world is a fully-immersive one – the user can walk and even fly around it, create 3D objects, and interact with those objects in ways that simulate the 'real world' laws of physics. Again, as with 2.5D worlds, some of these 3D worlds are designed for children and teenagers, some for adults, and some for both.

Amongst the general public, the most well-known 3D world is, arguably, Second Life, and businesses have experimented with this virtual world the most (but many corporations are also investigating other virtual worlds and reality environments). The following is a list of some of the 170 brands that virtual worlds analysts KZero (http://www.kzero.co.uk) are tracking in Second Life:

- Adidas;
- Reebok;
- Penguin books;
- Circuit City;
- Sears;
- Dell;
- IBM;
- Calvin Klein;
- Toyota;
- Coke;
- Kraft;
- Bruna;
- Wella;
- Cecile;
- Armani;
- Steelcase;
- Starfruit;
- 1-800 Flowers;
- L'Oreal;

- Lacoste;
- Nesquik;
- Yves Saint Laurent;
- Herman Miller;
- Ben & Jerry's;
- ABN Amro;
- Playboy;
- Nissan;
- Pontiac;
- Orange;
- Autodesk;
- Electrolux;
- H&R Block;
- Kelly Services;
- Vodafone;
- Visa;
- Mercedes Benz;
- Ford;
- Colgate;
- Swedish Embassy;
- Sky News;
- BMW; and
- Save the Children.

Case study: Accenture's island

The uses to which businesses have put Second Life are many and varied. For example, the global management consultancy Accenture has built its own island, which is used for recruitment purposes.

As highly influential virtual world analyst Gary Hayes reports (see: http://personalizemedia.com), Accenture's investment in the island paid for itself after six recruitment fairs. Accenture carries out recruitment activities in 49 countries, therefore, by using one recruitment-oriented island – rather than each territory, country or region building their own – the savings start to quickly mount up. The global recruitment marketing team at Accenture hold meetings, calls and tours with recruiters from around the globe, and have even created a guide on how to sign up for a Second Life account.

Case study: Second Life Association of Certified Public Accountants (CPAs) – North America

The association uses its island as an information resource for the general public. More importantly, it runs regular training and information sessions for its members; and separate information evenings and informal social events.

CPA of Australia

The CPA of Australia introduced its membership to Second Life and now works within a virtual world from within Second Life – at its own custom-built location. Lindy McKeown and I presented at their 2008 National Congress, which was run in Melbourne. But rather than travel to Melbourne, McKeown presented from her office in Brisbane and I from my office in Adelaide.

Helen Mitchell, CPA Australia's director of Knowledge Networks commented on the presentation on her blog:

"Feedback to date shows they valued the event, content and experience – we had them logging in from all over Australia and the world, including the UK and USA. Broadband and other technicalities aside, they all experienced the same environment, no matter where they were logging in from.

"And it was in real-time, 3D, where each person's avatar provided a visual and spatial indication of them as a person; and the event as an occasion, where

Figure 4: Second Life Association of CPAs and some upcoming events

interaction and Q&A were a natural part of proceedings. A much richer experience than if this was a webinar, videoconference or video recording of a session."

But it is not just industry bodies that are using Second Life and virtual worlds for meetings. The following is a list of corporate bodies which are using Second Life and virtual worlds:

- BP's technology team have experimented with virtual worlds in a number of scenarios, such as IT strategy planning, training, collaboration, online events and consumer education;
- Recruitment marketing solution provider SmashFly Technologies has opened an office in Second Life for its distributed workforce;
- New Business Horizons is opening a new office for the Institute of Travel Management in Second Life as a way to cut down on the need to travel for conferences;
- Johnson & Johnson and KPMG use virtual worlds to recruit globally, just as Accenture does;
- Cisco Systems uses Second Life for developing its sales force;
- IBM is heavily invested in 3D virtual worlds, including not only its own home-spun experiments, but also Second Life; and
- The Gizzard Communications Group runs meetings and conferences in Second Life on fundraising for non-profit organisations.
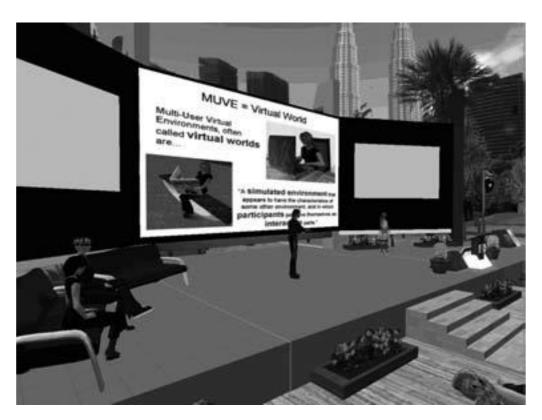

Figure 5: The CPA of Australia's Second Life presence for the 2008 National Congress

Linden Lab, the owners of the Second Life platform, and IBM recently released a case study[1] in which IBM estimates that by using Second Life for two of its major events, it saved over US$320,000. "With an initial investment of roughly US$80,000, IBM estimates that it saved over US$250,000 in travel and venue costs, and more than US$150,000 in additional productivity gains (since participants were already at their computers and could dive back into work immediately). It saved a total of US$320,000 (when compared to the potential expense if the event had been held in the physical world)," the report said.

Educational uses of Second Life

Many educational establishments use Second Life for both research and long-distance education purposes.

The University of South Australia's School of Communication, for example, runs some of its courses in Second Life, giving students the opportunity to investigate the nuances of communication in a 3D virtual world.

The prestigious Harvard Law School was the first top tertiary institution to move into Second Life, running a module on 'law within the virtual environment'. There was no 'real-world' way to take the course – all students had to take the module from within Second Life.

Manchester Metropolitan University (MMU) has brought its film and media undergraduate degree to Second Life. Even though most of the classes will be virtual, MMU is interested specifically in Second Life as a tool for training, including a game based around film editing, practical skills and simulation. "The course is the first to be delivered almost entirely in Second Life," said Paul Booth, senior lecturer in film and

media at MMU. "The media collaboration syllabus is designed to be contained within the virtual world; all exercises use a combination of real-world skills, and in-world production and distribution. Only two lectures will be delivered in a real-world classroom as an introduction to Second Life and new media technology."

Third-year medical students at Imperial College London have found that Second Life provides a useful supplement to their normal studies. As part of a pilot test, students walk through the ins and outs of a realistic hospital – washing hands, diagnosing patients, ordering X-rays and more. And while they have noted that it's not as helpful as actually walking around a real hospital's halls, they're finding – as paramedic students at St George's, University of London and Kingston University similarly have – that the 24/7 availability of a virtual world is a convenient way to drive home other lessons. "The aim," according to Maria Toro-Troconis, a senior learning technologist at Imperial College London, "Is to develop a more engaging learning environment, rather than just replicate what you have in real life. Game-based learning plays a very important role."

The University of Nebraska-Lincoln, Iowa State University and Wright State University have partnered to teach over 100 part-time MBA students many key computing concepts based around IBM's 'Power Systems' and infrastructure. Over five weeks, pairs of students spent about four hours per week in Second Life, researching server issues and IBM solutions to prepare for a Second Life-based presentation. The goal, noted Dr. Keng Siau, Professor of Management Information Systems (MIS) at the University of Nebraska-Lincoln, was to keep business managers and executives abreast of technology (both IBM's and

Second Life's), but also to use the virtual world to cement the lessons learned. "The process of doing the project is more important than the output," Dr. Siau reported on Chris Maxcer's System*i*Network blog. "By going through these phases of understanding, researching on the web and discussing with their partners… I bet that after five weeks, they'll remember this for the rest of their lives – it's not just another guest lecture for three hours."

The Nature Publishing Group (a division of Macmillan) uses its group of Second Life 'islands' to host an educational game tribute to Charles Darwin. " 'Notes from the Voyage' is an interactive game that promotes engagement and knowledge," explains Kristen French, Nature's head of community business development.

North Carolina State University received US$400,000 from the Ernst & Young Foundation to continue with the development of its distance learning programs within Second Life, particularly with regard to the department of accounting in the College of Management.

The United States Holocaust Memorial Museum has run an exhibit in Second Life. The exhibit was inspired by a separate effort that asked a group of high-school students to conceive an interactive space around the Holocaust. The students produced a design document that has been brought to life. Users take the role of a journalist – investigating what happened on the 'Night of Broken Glass' (also known as Kristallnacht), listening to testimony from Holocaust survivors and examining artefacts in a ransacked section of a city. "I wanted something which gives visitors a reason for them to engage, not necessarily that they were a part of the history, but they have a reason to be there," said David Klevan, education manager for technology and distance learning initiatives at the Museum. "I wanted visitors to be asking questions as they went through."

The Jimmy and Rosalynn Carter Partnership Foundation and the University of Texas are working together on the Carter Academic Service Entrepreneur (CASE) grant program for virtual worlds. It's Second Life-focused, asking students to use the virtual world to serve real-world communities. One example given is using it to tutor local high-school students. The CASE grant offers US$1,000 to support the project and a US$500 scholarship upon its completion. "Our CASE grant model has proven extremely successful offline. This project will be a demonstration that community service can be a new horizon for online virtual worlds," said foundation president Sue Sehgal.

The University of Houston Department of Health and Human Performance has moved the class on public health issues in physical activity and obesity into Second Life. "In discussions on how obesity impacts the heart, I can make a 3-D model of a healthy heart and a diseased heart, and allow the students to view the inside of the left ventricle to demonstrate how blood flow is altered by disease," said Brian McFarlin, assistant professor of health and human performance. "I want to be mindful of what students want. It's about them and trying to give them a better learning experience."

Social scientists around the world are using Second Life as a platform and environment from which they can monitor and map human interaction and learning, and identity formation and maintenance.

Librarians across many campuses regularly meet in Second Life to swap ideas, share tips and see what benefits virtual worlds can offer their institutions, their academics, their students and themselves.

Figure 6: Various bodies and clothing for my Second Life avatar

Technical complexity of Second Life

Second Life allows people to present PowerPoint-like slideshows, play movies and soundtracks, speak 'live' to their audience and colleagues, and offer information and additional resources to visitors, either in-world or *via* links that open up web pages in the visitor's
web browser.

Of course, Second Life is not just for business use. Shopping for digital goods is, by far, the biggest activity in-world, with everything from shoes, underwear, suits, shirts, dresses and bikinis for sale, alongside furniture, houses, animals, plants and additional animations for your avatar (the in-world representation of yourself).

You can buy different hairstyles and even different bodies if you don't like the one you are given when you sign up.

You will see in Figure 6 the various bodies that I have bought for my own avatar, and you can see that they range from male to female, to alien to the robot from the classic 1960s TV show 'Lost in Space' (and yes, it even comes with appropriate sound effects such as 'Danger! Danger!').

Welcome to the dark side of Second Life's sweet shop, Luke

Just as in 'real life', there is a darker side to Second Life, too. These are designated areas where sex services are for sale, and there is no shortage of shops that sell clothing, body parts and avatar animations of a strictly R-rated nature.

But despite the occasional mainstream media exposure about this dark side, the vast majority of Second Life is safe from such activity.

Figure 7: Amsterdam buildings in Second Life ©image courtesy of Ashanti Leshelle (can be found at: http://www.flickr.com/photos/ashanti_leshelle/1070111266)

Much like a child in a sweet shop, many new residents of adult worlds like Second Life gorge on the sweet stuff until they are full, but that full feeling doesn't take long to reach.

Most new residents visit one or two sex-themed areas – usually just to see what the fuss is all about – and then go off in search of other entertainment. This includes searching for friends, companies they have heard are in Second Life and themed regions that have received mainstream press attention, such as goth-themed worlds, worlds of furry animals, battle war zones, replicas of real-world areas such as Amsterdam and so on.

Rules of behaviour

Many companies which use virtual worlds such as Second Life for their business meetings provide their employees with guidelines or rules of acceptable and unacceptable behaviour in these and other social media environments.

Such policies can include elements that remind employees that at all times they represent their employer and, therefore, they must not act in any way that could bring the company into disrepute; in other words, the same behaviours that are expected in the 'real world' are also expected in the virtual.

Some companies also use open source software, such as OpenSim (http://opensimulator.org/wiki/Main_Page) and Project Wonderland on their own servers behind the firewall, thereby ensuring the 'integrity' of the environment.

Others give their employees permission to visit any area, as long as their avatar

Figure 8: Amsterdam in Second Life ©image courtesy of Zya Kraft (can be found at: http://www.flickr.com/photos/zyakraft/1467037825/)

does not, in any way, suggest links back to the employer. While this can leave an employer open to the risk of an employee accessing an area that might cause offence if seen by another employee, most employees are sensible enough not to put their access to Second Life at risk.

Microsoft reportedly has an effective informal policy regarding blogging and other social media activity: "Don't do something stupid that will lose you your job." Wise advice, indeed.

As with social networking sites like Facebook, MySpace, Twitter and YouTube, some companies believe that providing access to virtual world's like Second Life will only result in lost productivity as the employee 'runs amok', and wastes all of his/her time running

down endless virtual rabbit holes. However, this reflects a general distrust of employees and is a damning reflection of the company's culture.

If the company so distrusts its employees to 'do the right thing' that it gives them only partial access to the tools required by today's knowledge workers to do their job, then no amount of 'employees are our greatest asset' rhetoric from the senior management team will convince employees to give any trust or loyalty to the company.

But the company that shows respect to its employees, that recognises in them a fundamental curiosity and interest in exploring novelties, and that allows employees the freedom to explore and play (because it is through play that we most

quickly and profitably learn), is more likely to reap greater rewards from its employees. These rewards include faster take-up of new working practices, faster adoption of new workplace cultures, quicker returns on the investment in infrastructure and training, and improved productivity and increased collegiality. Studies show that the increased collegiality that comes from the adoption of social media tools and social networking strategies in the workplace brings with it increased loyalty, lower turnover and increased productivity. Not a bad outcome.

Much like YouTube and Facebook, virtual worlds offer tremendous networking and learning opportunities – not just funny videos, inane self-congratulation or invitations to be a vampire. Project managers are showing their clients

IBM social computing guidelines

1. Know and follow IBM's Business Conduct Guidelines.
2. IBMers are personally responsible for the content they publish on blogs, wikis or any other form of user-generated media. Be mindful that what you publish will be public for a long time – protect your privacy.
3. Identify yourself – name and, when relevant, role at IBM – when you discuss IBM or IBM-related matters. And write in the first person. You must make it clear that you are speaking for yourself and not on behalf of IBM.
4. If you publish content to any website outside of IBM and it has something to do with work you do or subjects associated with IBM, use a disclaimer such as this: "The postings on this site are my own and don't necessarily represent IBM's positions, strategies or opinions."
5. Respect copyright, fair use and financial disclosure laws.
6. Don't provide IBM's or another's confidential or other proprietary information. Ask permission to publish or report on conversations that are meant to be private or internal to IBM.
7. Don't cite or reference clients, partners or suppliers without their approval. When you do make a reference, where possible link back to the source.
8. Respect your audience. Don't use ethnic slurs, personal insults, obscenity, or engage in any conduct that would not be acceptable in IBM's workplace. You should also show proper consideration for others' privacy and for topics that may be considered objectionable or inflammatory – such as politics and religion.
9. Find out who else is blogging or publishing on the topic, and cite them.
10. Be aware of your association with IBM in online social networks. If you identify yourself as an IBMer, ensure your profile and related content is consistent with how you wish to present yourself with colleagues and clients.
11. Don't pick fights, be the first to correct your own mistakes, and don't alter previous posts without indicating that you have done so.
12. Try to add value. Provide worthwhile information and perspective. IBM's brand is best represented by its people and what you publish may reflect on IBM's brand.

Source: http://www.ibm.com/blogs/zz/en/guidelines.html

what a new, yet-to-be-built customised component can look like; clients can walk around it or interact with it, and see how it fits in with their current office decor or plant machinery.

Training institutions are using virtual worlds to train emergency department nurses in how to use new equipment by letting them 'play' with the various controls and see what effects they have on patient welfare and the other elements of patient management.

Alternatives to Second Life

World of Warcraft
Of course, Second Life is not the only 3D virtual world. The role-playing game World of Warcraft is an extremely successful 3D environment. It currently boasts 11.5m paid subscribers, generating some US$184m gross income per month, in comparison to Second Life's approximately US$1.2m gross monthly income.

LiveWorld social media content guidelines

My business communication and social media colleague Bryan Person recently based a set of guidelines both to, as he says, "support the talents and online freedom of expression of LiveWorlders and to reflect the best interests and reputation of the company. We think they're easy to understand, straightforward, and free of corporate mumbo-jumbo or legalese."

Based on IBM's own 'gold standard' guidelines, see if you agree.

Be transparent
If you're writing or commenting about company business, always identify yourself and LiveWorld by name. If you contribute to, or maintain a personal blog or website that covers the company's business space, make clear that your opinions are your own and not that of LiveWorld's.

Be respectful
We encourage you to express your opinions, but we ask that you don't resort to personal attacks, harassment, cultural insensitivity or discrimination in the process.

Be yourself
We value your personality and individual interests, including those that fall outside of your primary work responsibilities. Let that personality shine in your online content!

Be smart
Some company projects, lessons learned and success stories are fine to share; others aren't. Don't reveal company secrets or proprietary information, and make sure you have permission from our clients and partners before mentioning them by name. Your words and statements online are a reflection of LiveWorld. Use your best judgment when deciding whether content is appropriate to publish. If you have any doubts, ask your company executive.

Source: http://bryanperson.com/2009/01/07/creating-social-media-guidelines-for-your-employees/

Employers worried that their employees
will waste endless hours accessing
non-work material already have access
to two valuable tools to manage the risk:

- KPIs (Key Performance Indicators);
  and
- Shame.

Individual productivity is still governed by
agreed job performance requirements
and KPIs.

If employees are frequenting
social networking sites at the expense
of their performance, it usually only
takes a quiet word in their ear from their
manager to bring them back into line. If
this fails, the usual disciplinary measures
can be utilised.

Additionally, nothing spreads
around a company faster than gossip,
and firing an employee for gross
negligence, dereliction of duty or
grossly-inappropriate behaviour, will
generate a non-verbal message that
will quickly rip through the hallways if
unofficially allowed.

Add to it a memo from HR to the
whole company that explains why the
unnamed employee was dismissed and
you have introduced a prophylactic
against further abuse.

In this current business climate few
can afford to lose their job, let alone
their reputation and future employability
owing to an act of extreme foolishness,
and an attitude of 'they're not smart
enough to catch me' or 'it will never
happen to me'.

IMVU

IMVU is a 3D chat environment that has
30m users, which is almost double Second
Life's 17m. IMVU is a very popular chat
engine amongst teenagers.

Home

Sony has just launched Home, a 3D world for
Playstation 3 owners, and with visual effects
and appearance notably superior to Second
Life – perhaps a similar offering is about to
be announced for Microsoft's XBox. Home
captures its members for around 40 minutes
per session, which is significantly longer than
traditional web properties, making virtual
worlds like Home very 'sticky' in marketing
terms.

In a 'GamesIndustryBiz.com' feature
article, Jack Buser, director of Home
at Sony Computer Entertainment, and Peter
Edward, director of the Home Platform
Group, commented that, in the first
month of release, they brought in over
US$1m of revenue. Home is now
recognised by the publishers of computer
and console games as a major platform
and a hub for gamers.

"Here you can speak directly to the
PlayStation audience on the platform. It is
unbelievably economical. And there are
commerce opportunities for partners. You
have publishers and brands coming into
Home looking to engage with an audience,
but they also have the opportunity to
generate revenue. It's a model that makes
sense for everybody. It's kind of a perfect
storm," says Buser.

Nurien and HiPiHi

Nurien (http://www.nurien.com) is
exceptionally popular in South Korea
and offers compelling visuals. In China,
HiPiHi is the market leader. (Remember,
obtaining accurate information from some

Figure 9: Screenshot from World of Warcraft

Figure 10: Screenshot of IMVU sign-up process

Figure 11: Screenshot of Sony's Home for PS3

companies in the Asia Pacific region is proving temporarily challenging.)

YoVille

YoVille, the virtual world based within Facebook and MySpace, has garnered over 5m active users in under 12 months, which is an impressive growth by any standards and definitely one to watch.

But before Second Life is written off (a meme in the popular press is to write off Second Life as a 'has been'), facts to note from long-time Second Life residents and developers Timothy Allen and Jennifer Vatza are:[2]

- The amount of active users has grown by 25 per cent since September 2008 and March 2009;
- The total number of avatars created since it came out of beta in June 2003 has eclipsed 16m;

Figure 12: Screenshot from Nurien

- Unlike some Web 2.0 companies that are still media darlings – like Facebook, YouTube and Twitter – Linden Lab and Second Life are profitable enterprises;
- The average number of concurrent users logged into Second Life at any given time is 70,000 (that includes 'bot users' – avatars that are programmed for various purposes. Linden Lab estimates 10-15 per cent of users are 'bots');
- Residents spent 41.5m hours in Second Life in January 2009, compared to 28.3m hours in January 2008;
- Over US$1.3m changes hands daily through Second Life's micro-currency, the Linden dollar;
- A rich array of innovative educational programs exists in Second Life; and
- In February 2009, over 64,000 Second Life users made a profit during the month. Of that group, over 200 made a profit of over US$5,000, just under 1,000 made between US$1,000 and US$5,000, and just under 4,000 made between US$100 and US$1,000.

These facts are impressive by anyone's standards, and as Linden Lab points out, "With nearly US$35m traded between residents each month, the Second Life economy has grown to become one of the world's largest user-generated virtual economies."

Demographics and inferred psychographics

There is a myth that virtual worlds are populated by primarily two types:

- Middle-aged men pretending to be young, in order to lure the under-aged into predatory sexual relations; and
- Pimply and unwashed teenage boys who sit in darkened bedrooms.

Neither stereotype is particularly true. While it is true that roughly 31 per cent of virtual world inhabitants will probably take on a role or avatar of the opposite gender (based on Nick Yee's research into text-based role-playing virtual worlds), the majority of those who enter virtual worlds will 'stay true' to their own gender.

Policing kids' worlds

In addition, virtual worlds whose target audiences are children and teenagers have very strict policies regarding inappropriate behaviour, and actively manage their environments. Not only are text comments moderated – usually by some sort of automated word-filtering system – but human intervention also plays a part.

Some virtual worlds also have in-house 'prefects' – children who interact with their in-world peers and privately report any suspicious behaviour or character.

I have it on very good authority that the Australian Federal Police (AFP) work with several teenagers to identify possible paedophiles. The strategy behind the program is that teenagers would be more likely than adults to recognise language that wouldn't naturally belong to someone of their age. As teenagers cringe and roll their eyes when parents try to 'talk the lingo' in order to 'connect', the AFP-sponsored teens can very quickly spot an adult pretending to be a teenager. So sophisticated are these linguistic nuances that early teens can even spot when a late teen is trying to be younger than they are.

Adult worlds

Virtual worlds, where the minimum age of residents is 18 are, understandably, less concerned with in-world language and behaviour, although it should be noted that when Linden Lab, the creator and owner of the Second Life platform, announced its intention of moving all sexual content to a specific region

within the Second Life universe, there was, and still remains, a tremendous amount of discussion, both for and against, and as I write this, no final decision has been announced.

Interesting statistics emerge when looking at the various types of users that make up adult-only virtual worlds. The following statistics and inferences are based on data released each month by Linden Lab:

- The average age of a resident of Second Life is 34, and the gender ratio is approximately 60 per cent male, 40 per cent female;
- Whereas the average time someone spends on Facebook is around 50 minutes per month, the average time spent in Second Life is around 40 hours;
- Although the vast majority of those involved in Second Life do not do so in order to generate any income, the number of individuals who have a positive cashflow is growing every month; and several individuals and businesses do generate enough to supplement or replace the typical income; and
- Reflecting the internet in general, the dominant language in Second Life is English, but it by no means holds a crushingly-imperialist position. Non-native English-speaking countries are a major group within Second Life's demographic, and there are several regions within Second Life where English is not spoken at all unless prompted.

As can be seen from Table 3, European countries have taken to Second Life in the same way that the US has. Australia, too confirms its early adopter status with regard to new technology, which compares to its 52nd place spot on the 'real world' population table. However, a caveat needs inserting here – Australians as individuals are

Country	Percentage of avatar count
United States	36.9
Germany	8.6
United Kingdom	7.5
Japan	5.0
France	4.9
Brazil	4.5
Italy	4.3
Canada	3.3
Spain	3.3
Netherlands	3.1
Australia	2.3
Belgium	1.2

Table 3: Countries by active users – the top 12
Data supplied by Linden Lab, June 2008

early adopters, however, Australian business is, in the main, quite conservative when it comes to the use of new technology.

Adult psychographics

From the Linden Lab data we can make some interesting inferences about Second Life 'residents' (as those who regularly visit and inhabit Second Life are called), and I would argue, adult virtual worlds in general.

The following are my inferences, followed by my rationale.

Second Life residents are well-paid, time-rich individuals, who are intelligent, patient, persistent and interested in new technology. They are likely to be knowledgeable, curious, well-educated and socially connected. That's probably the sort of individual that many companies would like to develop a conversational relationship with.

Here is how I reached this conclusion: Second Life residents spend a considerable amount of time in-world, possibly at the expense of interacting with traditional media.

Both Neilsen-Online and Forrester Research have recently released figures showing that a growing number of online adults are choosing to spend their time participating in online social networking, rather than consuming traditional media such as radio, television and newspapers. Virtual worlds are very much part of the social media landscape.

Second Life residents are spending an average of 40 hours per month in-world, reflecting their freedom from time-intensive responsibilities such as children.

Virtual worlds are graphic-rich environments, requiring powerful computers and graphic cards. Such hardware comes at a price. So too does the broadband bandwidth required to interact meaningfully and with minimal 'lag' frustration (the amount of time between your keyboard key press and your avatar reflecting that action request).

The learning curve to successfully navigate one's avatar and interact with others, as well as tailor one's appearance to one's tastes, is steep; therefore, much patience and persistence are required to graduate from 'beginner' to 'competent' in-world resident. It can take many hours of practice to be able to proficiently engage in conversations with others.

Steven Noble in Forrester's November 2008 report 'Australian Adult Social Technographics® Revealed' (a PDF of which can be bought and downloaded at: http://www.forrester.com/Research/Document/Excerpt) highlighted that the average 'social mediarist' (or, as they classify them, 'creators', 'critics', 'collectors' and 'joiners') earn between AUS$75,787 and AUS$79,580 per annum. They are usually educated past high school and are more likely than the rest of the Australian online population to be at the forefront in the use of new technology.

Academic research over many decades shows how innovation spreads through a community (the late Ev Rogers is the best source for an overview of the baseline academic work[3]).

'Innovators', the testers of new technology, comprise 2.5 per cent of the population. They are the individuals who try out the new technology or innovative practice, both because of intellectual or sensual curiosity, and to see if it would benefit others in the innovator's personal community. If they believe it would, they begin to embrace it and incorporate it into their daily life.

The next tier of adopters – the early adopters (who comprise 13.5 per cent of the population) – see what the innovators are doing and talking about, and get hold of the technology and begin to play with it, in order to gain the personal benefit from the innovation and uncover ways to 'translate' the innovation and its benefits into a language that the community will more readily understand.

This second tier (to which I arguably belong) is made up of highly-connected individuals who can have influence over considerable numbers of the population when they 'evangelise' an innovation.

The third tier – the early majority which makes up 34 per cent of the population – notice what the second tier are evangelising, and so too seek to benefit both personally and reputationally amongst their peers by also taking on the role of an evangelist. Once the early majority start evangelising, then the product, service or process gets closer to the 'tipping point'.

The fourth tier – the late majority which makes up 34 per cent of the population, then take on the innovation, in order not to be 'left behind'. By this stage, the innovation definitely moves into the mainstream and existing standards of process, design or production are raised to this new level, and the cycle of adoption starts again.

A fifth tier – the 'laggards' which makes up 16 per cent of the population – usually pick

up the innovation when it is nearing the end of its lifecycle, or when a newer innovation is already close to its own tipping point.

In today's lightening pace of innovation and change, where technical knowledge and innovation is doubling every year, the first tier 'innovators' are already playing with 'innovation number two' while the third tier 'late adopters' are taking up 'innovation number one'. By the time the 'laggards' are taking up 'innovation number one,' the 'innovators' are probably already playing with 'innovation number four'.

Put all of these factors together and that is how I reached the conclusion that Second Life residents are well-paid, time-rich individuals, who are intelligent, patient, persistent and interested in new technology.

Organisational leadership and World of Warcraft

When it comes to World of Warcraft, new rules around real-world recruitment need considering. The Royal Australian Air Force, for example, actively interacts with young World of Warcrafters for a very sound reason – the successful World of Warcrafters have proven their ability to survive and thrive in combat situations. In addition, they have grown into leaders.

As one RAAF recruiter said to me, "Why would the typical World of Warcraft-playing school-leaver be happy in a white-collar job, where he/she has to start at the lowest, 'know nothing' rung of the ladder?"

The recruiter claimed that they knew and interacted with many 15 and 16 year olds who successfully manage and lead squadrons of fighter planes and pilots. In some instances, that means successfully coordinating and leading hundreds and sometimes thousands of other World of Warcrafters, each of whom has their own particular personal agenda they want to get out of the game.

"Some of them have more real managerial experience than even top-level corporate managers. They have had to learn cooperation and negotiation skills, motivational skills, and strategic and tactical planning skills.

"These are the sorts of kids who we want as the next generation of leaders in the armed services," he said.

Massively multiple online role-playing games like World of Warcraft are proving to be valuable training grounds for managers and, at the elite level, leaders.

How corporations and smaller organisations choose to recruit them may well turn out to be a key differentiator for recruiters in the near future – not just as an indicator of a business' potential sustainability and longevity, but also as a company with an 'employer of choice' reputation, which goes out of its way to attract the brightest and the best talent.

Show me the money

Naturally, in a difficult and challenging economic climate, it is only fair to ask if anyone is actually investing in virtual worlds. The box overleaf includes some of the investment highlights over the past two years.

As Barry Gilbert, vice president and research director of strategy analytics reports,[4] virtual world users are increasing as a percentage of total broadband users, suggesting a positive conversion sign for the virtual world industry.

While advertising within virtual worlds will slow down during 2009, they are expected to recover and continue their growth curve in 2010. However, the growth of revenue from microtransactions for virtual goods and subscriber fees are expected to continue in their dramatic fashion in spite of any economic 'hangover'.

For example, in 2008 the total revenue generation of virtual worlds was US$1.26bn

(not including Second Life land purchases, maintenance, hosting and development fees, non in-world purchases of merchandise, and licensing fees). In 2009 total revenue (similarly not including the elements above) is predicted to reach US$2.16bn.

China's internet and mobile-based social network 'TenCent' announced unaudited annual revenues for 2008 exceeding US$1bn, an 87 per cent year-over-year increase from 2007 revenues. Of that figure,

US$719m was generated by sales of virtual goods to internet-based users of the service.

Internet virtual goods sales for 2008 represent a 95.5 per cent year-over-year increase from 2007, while mobile virtual goods sales for the same period had increased 73 per cent. Only US$120m of TenCent's 2008 revenue is accounted for by online advertising. TenCent lists its total 2008 gross profits as US$729m at a margin of about 70 per cent.

Note that the revenues from internet virtual goods sales alone are only US$10m short of accounting for all of TenCent's 2008 gross profits.

In addition, Habbo Hotel's developer, Sulake, recently released figures showing that 85 per cent of its 2008 revenue came from microtransactions for virtual goods[5].

While the hype led by the mass media has gone out of virtual worlds, their popularity continues to grow. Not only are more individuals choosing to spend time in-world at the expense of traditional activities, but organisations are also taking advantage of the benefits of virtual worlds to cut costs (including travel and the lost opportunity costs involved with that travel) and increase learning and development.

One IBM employee reportedly claimed increased productivity gains through the use of virtual worlds. This was calculated by using the extra five minutes before and after formal in-world meetings as personal networking time, rather than the more traditional paper-shuffling down-time of traditional teleconferences. New contacts are made, ideas shared and possibilities generated.

The gaming industry now generates more revenue than Hollywood,[6] and all predictions are that the consolidation and integration of games and 3D virtual worlds will continue, as shown by the outstanding success thus far of Sony's Home 3D environment. We witnessed an explosion

Recent investments in virtual worlds

- US$408m invested in 40 virtual goods-related businesses in 2008;
- 200+ youth-oriented worlds live or are developing in January 2009;
- US$594m invested in 63 virtual worlds-related companies in 2008;
- US$101m invested in 13 virtual worlds-related companies in the fourth quarter of 2008;
- US$148.5m invested in 12 virtual worlds-related companies in the third quarter of 2008;
- US$161m invested in 16 virtual worlds-related companies in the fourth quarter of 2008
- US$345m invested in 39 virtual worlds-related companies in the first 6 months of 2008;
- US$184m invested in 23 virtual worlds-related companies in the first quarter of 2008;
- US$425m invested in 15 virtual worlds-related companies in the fourth quarter of 2007; and
- US$1bn invested in 35 virtual worlds companies between October 2006 and October 2007.

of virtual worlds aimed at children and teenagers in 2008, and there is no reason to believe that the trend will slow down.

There are over 250 virtual worlds already in existence or in development; naturally there will be a shake-out and consolidation of worlds over time, but just as there are hundreds of thousands of traditional websites that generate real-world returns on investment for their owners, so too will hundreds of virtual worlds serve us in similar ways.

The integration of virtual worlds with mobile platforms is a major focus for virtual world owners, as the reach of smart phones and the iPhone continues at its rapid pace. As Apple showed the world when it allowed the integration of podcasts into itsiTunes software that applications can sit in a mobile phone and one can seamlessly access his/her virtual world of choice, this will probably explode the membership numbers of virtual worlds.

The future for virtual worlds is so bright, I have to wear shades.

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   and US home DVD market US$ 16 bn.

Resources

Metaverse Journal – a holistic look at virtual worlds from consumer, producer and enterprise perspectives (http://www.metaversejournal.com)

Clever Zebra – enterprise-level virtual world intelligence (http://www.cleverzebra.com)

Kzero – virtual worlds research company (http://www.kzero.co.uk)

Gary Hayes – virtual worlds uber-guru (http://www.personalizemedia.com)

Virtual Worlds Weekly – more traditional news and opinion site, focusing on the business side of virtual worlds (http://www.virtualworldsweekly.com)

JoKay – an Australian freelance designer who is very involved with Second Life, particularly from an educational perspective (http://www.jokay.com.au)

Lindy McKeown – a global facilitator of virtual world strategy and tactical planning (http://www.lindymckeown.com)

Wagner James Au – a full-time journalist in Second Life and virtual worlds in general (http://www.nwn.blogs.com/nwn)

Metaverse Business – specialists in virtual world metrics (http://www.metaversebusiness.com)

Second Life blog – the official Linden Lab blog about Second Life (http://www.blogs.secondlife.com)

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