Exploring Avapreneurship

A look at entrepreneurship in virtual worlds

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KTH Computer Science and Communication

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Exploring Avapreneurship

A look at entrepreneurship in virtual worlds

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Abstract

3D environments and virtual worlds are emerging technologies that could change the future of Internet usage significantly. Second Life, as a leading virtual world, provides various business opportunities. It is a perfect platform for people who want to start their businesses. Many people take a close look at the development of Second Life in different business areas to try to enter virtual world themselves.

As such, this thesis intents to investigate two research questions: RQ1) Why has avapreneurship developed in Second Life? and RQ2) How to achieve avapreneurial success in Second Life? The thesis presents a study of four avapreneurs in Second Life to answer those questions. Avapreneurs, are those people who explore entrepreneurship opportunities in virtual worlds.

An entrepreneur with motivation, experience and knowledge are the starting point of avapreneurship. Market demand and technology are forces to develop avapreneurship in Second Life.

To create customer value and competitive advantage are ways to achieve success. Patents and trademarks, customer base, and reputation of the firm are resources that could be useful while experience, knowledge, and technology knowhow are capabilities that utilize those resources effectively. Firms will form two advantages including cost advantage and differentiation advantage. Through the value chain, firms can deliver values to customers and maintain competitive advantage. In Second Life, inbound logistics, operations, and marketing & sales are most important to delivery values.
Acknowledgement

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Chapter 1

INTRODUCTION

1.1 Introduction

To date, the web has experienced three evolutionary waves:[Kapp and Driscoll(2010a)].

1. Web 1.0 was focused on connecting “TO” the web; for example: Amazon, Google.

2. Web 2.0 is focused on connecting “THROUGH” the web; and; for example, napster, youtube, ebay;

3. Web 3.0, which is happening now, is focused on connecting “WITHIN” the web, for example: World of Warcraft, second life;

Virtual worlds fascinate researchers, educators and businesses. Every day, these online platforms host millions of players interacting as animated figures in visually arresting depictions of Tolkein-like fantasy (World of Warcraft, Everquest), galactic combat (Entropia, Eve Online) or contemporary daily life (The Sims, Second Life, There). [Bloomfield(2007)]

Virtual worlds are promising areas, providing various opportunities themselves, including business opportunities, education opportunities, innovation opportunities, etc. As a leading virtual world platform, Second Life is already home to millions of registered users (known in Second Life as ‘Residents’). There are hundreds of thousands of people spending an average of more than 40 hours a month in the virtual world of Second Life.¹ Thousands of organizations and entrepreneurs are reaching this population through the development of immersive,

¹http://www.businessweek.com/technology/content/may2008/tc2008054_665274.htm
CHAPTER 1. INTRODUCTION

engaging 3D experiences. This isn’t just fun and games. The growing virtual worlds and e-goods industries offer developers new opportunities for serious business. ²

virtual worlds are rapidly growing both in size and sophistication as developers, investors, and marketing professionals develop increasingly refined and focused business models for monetizing virtual worlds. [Spence(2008)] Individuals and organizations may develop and sell their own virtual products and services to others in Second Life, receiving payments that can then be extracted and converted to real world currency. [Charles Wankel(2009)] This is one of the most important reasons that cause the Second Life business to grow.

1.2 Research Questions

It is no surprise that many people take a close look at the development of Second Life in different business areas to try to enter virtual world themselves. Second Life provides a perfect platform for those people who wants to start their businesses. In real life, we call them entrepreneurs, while in Second Life, they will become avapreneurs. In this thesis, I will focus on these avapreneurs in Second Life. Avapreneurs is short for avatar entrepreneurs, who are entrepreneurs doing business activities with their avatars in virtual worlds.[Teigland(2010)]

Around those avapreneurs, I have developed two research questions:

1. Why has avapreneurship developed in Second Life? To conduct entrepreneurship in real life, one needs lots of resources, including business opportunities, funds, products, etc. But what do we have for being an avapreneur, why those entrepreneurs come into Second Life, what factors enables the emergence of avapreneurship.

2. How to achieve avaprenurial success in Second Life? What are the tips and secrets that will allow a person to achieve avaprenurial success in Second Life. The most successful organizations understand that the purpose of any business is to create value for customers, thus, how is value created for customers by avapreneurs in Second Life and how can one achieve avaprenurial success.

To investigate these two research questions, I will use interview and the case study method. Four cases of different avapreneurs will be provided, which we can compare with each other and get hints.

²http://popcha.com/combinedstory_whitepaper.pdf
1.3 Structure of thesis

Chapter 1 includes introduction, research question and the description of the thesis structure.

Chapter 2 includes the literature review relates to entrepreneur, virtual world and entrepreneurship in virtual world.

Chapter 3 is the methodology part, which includes sample selection, interview method, and case study.

Chapter 4 describes four case studies and the results.

Chapter 5 discuss about why has avapreneurship developed.

Chapter 6 discuss about how to achieve avaprenurial success.

Chapter 7 is the conclusion part, which also includes limitation and further research.

See figure 1.1
Figure 1.1. Structure of thesis
Chapter 2

LITERATURE REVIEW

The literature review will try to find existing materials which can lay a foundation for the research questions. At first, the definition of entrepreneur will be introduced. Then it will be followed by history and different virtual worlds. Finally, the focus shift to entrepreneurship in virtual worlds.

2.1 Entrepreneurs

Different people have different definitions for entrepreneur. “To an economist, an entrepreneur is one who brings resources, labor, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order. To a psychologist, such a person is typically driven by certain forces the needs to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others. To one businessman, an entrepreneur appears as a threat, an aggressive competitor, whereas to another businessman the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize resources, reduce waste, and produce jobs others are glad to get.”[Hisrich and Dean A. Shepherd(2005)]

2.1.1 Entrepreneur as innovator

Schumpeter argues that the entrepreneur is an innovator, one that introduces new technologies into the workplace or market, increasing efficiency, productivity or generating new products or services.[Deakins and Freel(2009)] An innovator is defined as the individual or firm that first develops an innovation to a useful
2.1.2 Entrepreneur as opportunity recognizer

Shane and Venkataraman (2000) argue that the entrepreneur is solely concerned with opportunity recognition and exploitation. However, the opportunity that is recognized depends on the type of entrepreneur while Ucbasaran (2001) argues there are many different types depending on their business and personal circumstances. Drucker (1993) categorized opportunity recognitions in three categories: the creation of new information with the invention of new technologies; the exploitation of market inefficiencies gaps; and the cost reduction or better use of the resources due to political, regulatory, or demographic changes. Park (2005) specifically focused his search in new technologies by choosing high-technology start-up firms, and has done a review of the contemporary literature on opportunity recognition, thus entrepreneurship. Park proposes a conceptual model of the recognition process in high-technology firms, which is derived from the discovery that knowledge and experience are crucial for success. See figure 2.1.

In fact, these observations are linking the traits of the entrepreneur, the technology used, and the knowledge of the market/technology and experience, and are contributing together to the opportunity recognition.

2.2 Virtual World

A virtual world is a synchronous, persistent network of people, represented as avatars, facilitated by networked computers. Virtual worlds are also called “digital worlds”, “simulated worlds” and “MMOGs” which stands for “Massively Multiplayer Online Game”.
Figure 2.1. The conceptual model of the opportunity recognition process for new technologies: the contributions and interactions

2.2.1 Classification

There exists various types of virtual worlds and also various classifications according to different criterion. These classifications divide virtual worlds into:\(^1\)

1. Social virtual worlds, which focus on enabling conversation among users and are often compared to 3D chat rooms, for example “Kaneva”, “There”, “Lively”, “Vivaty”, “IMVU”.

2. Casual gaming virtual worlds, Casual gaming virtual worlds are very similar to social virtual worlds with the difference that they also focus on users playing smaller, casual games within the virtual world. Examples: Club Penguin, Habbo, Neopets, Dizzyworld.

\(^1\)http://www.artesia.si/blog/2008/09/25/virtual-world-types-navigating-vw-jungle
3. Role-playing virtual worlds. Role-playing virtual worlds or MMORPGs (Massively multiplayer online role-playing games) encourage players to assume a role in a themed world and progress through the game by competing with or against other players in a variety of quests in the fictional environment. MMORPGs also include some sort of in-game culture and provide different tools for players’ social interaction and even team work. MMORPGs often have a living economy that is based on virtual goods that can be bought and sold with an in-game currency. Examples: World of Warcraft, Age of Conan, Ultima Online (fantasy themed); EVE Online (science fiction themed); Gaia Online.

4. Virtual worlds for content creation. Virtual worlds for content creation enable users to create their own content and in some cases also sell it to other users. Due to the user generated content, these worlds can be used for a variety of purposes - from chat and gaming to education and even business. Examples: Second Life, HiPiHi.

5. Educational virtual worlds. Educational virtual worlds aim to educate their users about a certain topic. Most often these worlds are targeted at children and offer similar features as the casual gaming virtual worlds. Examples: Whyville, HandiPoints HandiLand, MinyanLand.

6. Interest focused virtual worlds. Interest focused virtual worlds are focused around users’ real world interests, such as sports, fashion, music etc. Examples: vSide, Stardoll.

7. Branded virtual worlds. Branded virtual worlds are created around a certain real life brand and can include elements of other types of virtual worlds. Some branded virtual worlds require or encourage users to purchase a real world product to be able to enter the branded virtual world. Examples: vMTV, Webkinz, Barbie Girls.

8. Mirror worlds. Mirror worlds are built to mirror the real world. They can be used as 3D maps or to promote tourism. Examples: Unype, Twinity, Amazing Worlds.

9. Virtual worlds platforms. Virtual worlds platforms are software frameworks that enable users to create their own virtual worlds. Some (mainly open-source) platforms even enable users to host virtual worlds on their own servers. Examples: Active Words, Croquet, Multiverse, Project Darkstar, OLIVE, WebFlock, Metaplace, OpenSim.
There are many different types of virtual worlds, however there are six features all of them have in common: 2

1. Shared Space: the world allows many users to participate at once.

2. Graphical User Interface: the world depicts space visually, ranging in style from 2D "cartoon" imagery to more immersive 3D environments.

3. Immediacy: interaction takes place in real time.

4. Interactivity: the world allows users to alter, develop, build, or submit customized content.

5. Persistence: the world’s existence continues regardless of whether individual users are logged in.

6. Socialization/Community: the world allows and encourages the formation of in-world social groups like teams, guilds, clubs, cliques, housemates, neighborhoods, etc.

2.2.2 Growth

The number of people using virtual worlds is increasing at a rate of 15% every month and this growth does not appear to be stopping or slowing down anytime soon. (Hof, 2006d; Gartner, 2007 cited by Bray and Konsynski 2007).3

According to the consulting firm Kzero, the growth of virtual worlds and their revenue will keep growing during the future. See figures 2.2 and 2.34

Gartner has issued its annual Hype Cycle Report for 2010, which tracks mainstream adoption of emerging technologies. According to the chart, interest in virtual worlds is about to emerge from the "Trough of Disillusionment" toward productivity and mainstream adoption. The report predicts that technology will be commonplace within 5 to 10 years.5 See figure 2.46

2 http://www.virtualworldsreview.com/info/whatis.shtml
3 http://www.virtualworldsreview.com/info/whatis.shtml
4 http://www.kzero.co.uk/
2.2.3 Second Life

In 1992, Neal Stephenson has written the famous science fiction novel: Snow Crash. In his book, he successfully described a Metaverse for the first time, which we now call a virtual world. Among the readers who loved this book, there was one young boy named “Philip Rosedale” who had been totally attracted by the story and wanted to build a metaverse like that. That boy has now become the CEO of Linden Lab. In July 2003, Linden Lab launched a game named “Second Life” and now it is one of the most successful examples of a virtual world.

Second Life is a free 3D virtual world where users can socialize, connect and create using free voice and text chat. 7 The game users, called residents, can interact with each other through avatars. Residents can explore, meet other residents, socialize, participate in individual and group activities, and create and trade virtual property and services with one another, or travel throughout the world. 8 Second Life is a social experience, with users able to see and communi-

---

7 http://secondlife.com/
In the beginning, Second Life is similar to other virtual world games. Game players can buy rechargeable cards with real money and enjoy the game, and earn “Linden” dollars. Then a new rule has been introduced into the game that linden dollars can be exchanged into US dollars. The exchange rate is between 260:1 and 280:1 timely. Finally the most important feature of Second Life has entered into the game, user generated content, which is the core of web 2.0. User buy lands, renting lands, building houses, selling products, which give linden lab the biggest income. To some extent, Linden Lab in Second Life is similar to the real estate business. Second Life has provided various opportunities for businessmen where they can do almost whatever they want, including building their own real estate company, educational institute, restaurant, concert, or shops, which sell lots of products, like shoes, clothes, skin colors, hair styles, etc. See figure 2.5

9 http://us.ft.com/ftgateway/superpage.ft?news_id=fto050920070646515402
10 http://secondlife.com/
CHAPTER 2. LITERATURE REVIEW

Figure 2.4. Virtual World Up

Figure 2.5. Second Life
Since the digital money can be exchanged into US dollars, players have started treating the game seriously. It is not just a funny game anymore, the success in Second Life can really change your real life. For example, if you are a game player who has 3 billion in second life, you then will be a millionaire in real life. Anshe Chung has become the first online personality to achieve a net worth exceeding one million US dollars from profits entirely earned inside Second Life. Anshe achieved her fortune by beginning with small scale purchases of virtual real estate which she then subdivided and developed with landscaping and themed architectural builds for rental and resale.\textsuperscript{11}

2.3 Entrepreneurship in virtual world

Bygrave and Hofer (1991) argue that not only an entrepreneur innovates, but also exploit opportunities that were not seen by others. Most entrepreneurs start their business without a significant innovation, novel idea or access to much capital. Instead they focus on niche markets where large rivals are absent and no high upfront investments are required to enter.[Bhidé(2000)].

Avapreneurs, as argued in the preceding chapters, are being the entrepreneur’s active utilization of opportunities in a Virtual Organization. It is the improved understanding of the possibilities of information technology, new innovations, lowered costs of information processing and coordination, globalization and the possibilities of the Internet that made it feasible to create new types of organizations like the Virtual Organization.[de Roode(2009)]

As businesses compete in the real world, they also compete in virtual worlds. As there has been an increase in the buying and selling of products online (e-commerce) this twinned with the rise in the popularity of the internet, has forced businesses to adjust to accommodate the new market.\textsuperscript{12}

It’s the work element—the embrace of entrepreneurship—that’s perhaps most unique to Second Life. Linden Labs, the creator of Second Life, has welcomed the entrepreneurial inclinations of its community in two important ways. First, Linden dollars, the in-world currency, are easily traded for U.S. dollars at an official currency site. Second, Linden has taken the remarkable step of allowing players to retain the copyright for their in-game creations.\textsuperscript{13}


\textsuperscript{11}http://www.businessweek.com/the_thread/techbeat/archives/2006/11/second_lifes_fl.html
\textsuperscript{12}http://en.wikipedia.org/wiki/Virtual_world
\textsuperscript{13}http://www.entrepreneur.com/startingabusiness/businessideas/article172768.html
Life in different fields: fashion stores, land businesses, nightclubs, newspapers, and other activities. Unexpectedly, for each field the author explains that starting a venture in Second Life does not need large amount of funds and the business plan can be summarized in thee steps: creation of products and services, finding the best location in the game and selling.[Terdiman(2007)]

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals.\[14\] The following diagram combines the resource-based and positioning views to illustrate the concept of competitive advantage. See figure 2.6[Porter(1985)]

Forward-thinking firms are not just focusing on individual transactions, such as the cost of a particular product, instead, they innovate their way examining the entire value-creation chain associated with their products (and their customer’s use of those products) and devise ways to make the entire system more effective. This increase in effectiveness often creates enough new value that the buyer’s total costs can be significantly reduced while the supplier’s margins can be maintained.

\[14\] http://www.quickmba.com/strategy/competitive-advantage/
Real value creation—and long-term growth and profitability—occurs when companies develop a continuous stream of products and services that offer unique and compelling benefits to a chosen set of customers. This means that to maintain industry leadership, a company must establish a sustainable process of value creation.

\(^{15}\)http://www.pegasuscom.com/levpoints/valuecreate.html
Chapter 3

RESEARCH METHODOLOGY

3.1 Type of study

There exists various research methods while the main method are quantitative research and qualitative research. Quantitative research generates statistics through the use of large-scale survey research, using methods such as questionnaires. This type of research reaches many more people, but the contact with those people is much quicker than it is in qualitative research. Qualitative research explores attitudes, behavior and experiences through such methods as interviews or focus groups. It attempts to get an in-depth opinion from participants. As it is attitudes, behaviour and experiences which are important, fewer people take part in the research, but the contact with these people tends to last a lot longer.\(^1\)

The quantitative and qualitative research method could be both useful in this thesis. However, a very detailed questionnaire has been applied in the work of Kieger (2005), which giving me the enough information for the current research from the quantitative aspect. Thus, I will choose the qualitative research method to get further understanding of the phenomena and the behavior.

Data can be collected by any one or more of the following ways: observation, personal/telephonic interviews, questionnaires, and by schethedules.[Kumar(2008)] In this thesis, data collection will be conducted in to several steps. First, I will select a typical virtual world as a sample, then I will pick up around 30 avapreneurs randomly in this virtual world, to collect data and to conduct interview for further information. After interview, case study method will be applied to get more in-depth investigation of different individuals in order to find underlying principles.

\(^1\)http://e-articles.info/e/a/title/THE-DIFFERENCE-BETWEEN-QUALITATIVE-AND-QUANTITATIVE-RESEARCH/
3.2 Sample selection

Second life has been selected as a good sample for the research. There are two reasons to choose second life:

1. Second Life is now the internet’s largest user-created, 3D virtual world community. User-created and 3D have helped Second Life become the largest virtual world community in the world. Most of the content in Second Life is created by residents. Linden Lab actively promotes the concept that residents retain the intellectual property rights to objects they create (although they are required to offer Linden Lab a limited license for the purposes of promotion and marketing.2 Besides, here comes the immersive internet. Just as the introduction of the Mosaic browser changed society and business, the impending transformation of the Internet from a static, one-way conduit of information into a three-dimensional virtual environment in which people-as avatars-live, work, and play will have an equally significant transformational impact.[Kapp and Driscoll(2010b)]

2. When it comes to explaining Second Life, this is the surest way to turn any looks of disapproval or even disgust into looks of envy. Some virtual shop owners may only make enough for an extra cup of coffee while others may be paying real life rents. Regardless of the amount of money made, it is usually more fun than a day job because of the freedom to be your own boss and make what you love.3 It may be difficult to understand exactly how the money is made, but anyone can understand and appreciate the benefits of extra income. Second Life is by no means easy money. That’s why this website exists. But there are certainly enough reasons to giving it a look from an entrepreneurial perspective. Business is everywhere in second life, which makes Second Life suitable for the research. American Apparel sold both virtual and real clothes; Dior unveiled a new line of jewelry; Lacoste held a voting contest among avatars to choose a new clothing model; Vodafone, whose Second Life center does not sell items but instead provides free virtual goods and an opportunity to explore the brand; Starwood Hotels developed a Second Life version of its new concept hotels, Aloft; University of California Davis used Second Life to develop simulations to train emergency response workers; American Cancer Society launched an annual fund raising

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CHAPTER 3. RESEARCH METHODOLOGY

event with the creation of a virtual Relay for Life; Cisco created their Second Life space as a meeting place for employees and customers; [Lyons (2008)] Let alone those big names, there exists fantastic opportunities for individual entrepreneurs. Beside Anshe Chung, there are lots of other business people inside second life.

3.3 Samples selection

The study is based on a sample size of 30 avapreneurs’ firms. Those firms are all in the fashion industry and were selected randomly. A purposive sampling was done to select the respondents through the interviews. Although the plan was to undertake the interview to all those 30 firms, the researcher could only gather data on five of them. Two of the five were similar in size, volume of business and life period of the enterprises selected for the study. Therefore the researcher chose four typical ones to compare. However, all four of the enterprises selected for the study had a positive response of their performance. Below are the datas for those four interviewees. The main store traffic below is calculated by the cumulative minutes spent on the parcel by all visitors to the parcel within the previous day. 

<table>
<thead>
<tr>
<th>Name</th>
<th>Amutey Decuir</th>
<th>Serina Lacava</th>
<th>LaRosa Kohime</th>
<th>Filipa Thespian</th>
</tr>
</thead>
<tbody>
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<td>Born day</td>
<td>14/05/2007</td>
<td>21/01/2007</td>
<td>03/11/2007</td>
<td>30/09/2008</td>
</tr>
<tr>
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<td>From</td>
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<td>Germany</td>
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<td>USA</td>
</tr>
<tr>
<td>Stores</td>
<td>over 100</td>
<td>over 200</td>
<td>over 300</td>
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<td>Main store area</td>
<td>65,428 m²</td>
<td>79,84 m²</td>
<td>428,16 m²</td>
<td>547,2 m²</td>
</tr>
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<td>Main store traffic</td>
<td>8718</td>
<td>497</td>
<td>18117</td>
<td>37</td>
</tr>
<tr>
<td>Members</td>
<td>over 23,000</td>
<td>over 15,000</td>
<td>over 30,000</td>
<td>not known</td>
</tr>
<tr>
<td>Products Categories</td>
<td>over 400</td>
<td>over 500</td>
<td>over 1000</td>
<td>over 300</td>
</tr>
</tbody>
</table>

Table 3.1. Four interviewee’s data

http://wiki.secondlife.com/wiki/Linden_Lab_Official:What_is_traffic_%28formerly_known_as_dwell%29
Chapter 4

CASE STUDY

4.1 Case 1 - Bliss Couture

Avata named Amutey Decuir, owner aged 28, female, from HongKong, China.

Her main virtual company named “bliss couture”, see figure 4.1 and she was activated on 14/05/2007 in Second Life. So far she had more than 100 stores in Second Life in total.

Bliss Couture has just celebrated its third anniversary a few months ago. Miss Amutey DeCuir creates more than ten new releases every month. The creativity

\[1\text{http://bliss-couture.blogspot.com/}\]

Figure 4.1. Bliss Couture
of the couture house allows the Second Life fashion brand to have over twenty three thousands members. Last year they held the Miss Bliss Couture beauty pageant for the first time and Mimmi boa has been selected as the miss bliss couture 2010. See figure 4.2

She would not like to tell me the detailed number of profit, but she confirmed that it is profitable of her business in Second Life.

The occasion that encouraged her into second life was from her friend.”My best friend knew I am a real life artist, and thought that I should start a business here and she made me do it”.

She has a bachelor degree in marketing and fine art and she believed you do not have to maintain a design ability to design all these clothes, but need a sense of beauty in designing. She treated this as her full time job, but she also have 3 physical clothing boutiques in Sydney, Melbourne and Shanghai as a silent partner.

She has a formal management team, which include one general manager, one assistant manager, one marketing manager, one security in her management team and other more than 50 girls, half of them are responsible for customer service, while others are fashion show models. See figure 4.3

\(^2\)http://bliss-couture.blogspot.com/
\(^3\)http://slurl.com/secondlife/Gown/120/214/353
4.2 Case 2 - SLC

Avata named Serina Lacava, aged 39, from Germany.

Her history began in the middle of 2007, when Serina Lacava started as a fashion designer. She heard Second Life from TV and took a look at it. At the first moment, she had no idea of what to do and then she started to make some clothes. She liked to create very much and this is the big point of why she was in Second Life.

Her creations then became popular very quickly, so that on November 1st, 2007 the label SLC Collection and a main store were founded, to give the customers the opportunity to buy what they craved for. See figure 4.4\(^4\)

For her, the secrets of success are good quality and price, good customer service and branding with her logo and each franchise store should look like the others.

\(^4\)http://selaco.wordpress.com/
She has no degree since it was east Germany and was a bad time for her to learn. But she visited several seminars like marketing, personal leading and then later she worked as “Hauswirtschaftliche Betriebsleiterin” - Head of household operation.

Today she has a wide assortment and are able to deliver more than 500 different products. They offer customers everything they like to look for: both woman and man fashion, all hand made clothes and underwear, but also accessories like handbags and shoes. Because many satisfied customers asked for festive gowns, they started on December 1st, 2009, a second line: The SLC Couture, where Serina Lacava is designing exclusively so called Haute Couture and they sell it in a separate main store on SLC Island.

Most of her stores are franchised out, and everyday there will add one more new store. 50% of the sale profit will go to the franchiser, while the other 50% will go to SLC. See figure 4.5\(^5\)

These franchisers can purchase the package on Xstreet 13. Xstreet, is something like home shopping \(^6\) and Second Life will collect 5% franchise package

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\(^5\)http://selaco.wordpress.com/
\(^6\)https://www.xstreetsl.com/modules.php?name=Marketplace&file=item&ItemID=1735452
They have a weekly Special Offer for customers: a complete outfit to a very special prize. So they give them the chance, to do what their name says: Collect the wonderful fashion. They also established a successful Affiliate Franchise Partnership Program for both Labels.

4.3 Case 3 - LaRosa

Avata named LaRosa Kohime: female, 30, from Germany. She has no full time job in real world, so she created her own job in Second Life.

She activated on 03/11/2007 in Second Life. The motivation for her to do that was to create outfits. For her, other designs were just too expensive, that was the basis why she started LaRosa. You must bring a lot of money here purely to buy beautiful things, therefore she has designed her own outfits. See figure 4.6

At the beginning a main store was run amongst living houses and various shops in Augsburg. Due to the great success during the first time the main store had to move to its own island. At 2008, September 20th one more relocation to the Full-Sim LaRosa was necessary. During all that LaRosa never lost the focus on what was essential: Affordable fashion for all female and male Second Life residents including outstanding customer support.

Now she has more than 300 stores, which sells over 1000 high quality products. Offering a wide variety of quality items including men’s and women’s clothing, shoes and skins, creator and LaRosa Kohime has enlisted the creative talents of several people.

She does have management team also which includes Co-designers Eisbluemel String (Urban & Streetwear), Enes Davies (Menswear) and Stari Novi (Shoe designer, shop manager and builder), Kira123 Baum as LaRosa store and Model Manager, and last but not least Diva Duranjaya, MalaZara Lemon and Swani Hazelnut as LaRosa consultants.

LaRosa stands for creativity coupled with economy. From the beginning on, the aim was to create high quality fashion with attention to detail which should be affordable for any Second Life resident. That’s what makes LaRosa special compared to other fashion labels.

At first, it was very easy to make money in Second Life for her, since they were the first to have their outfits sold for little money, but now there are many imitators. Thus, they become one of many.

\footnote{http://larosakohime.wordpress.com/author/larosakohime/}
But the fact that they were the first so they have established a very well known image, and they have a group with 30,000 members. She believes mouth to mouth is the best way to attract those customers.

She has no business knowledge, no experience about business management, and she believes that she is a self taught entrepreneur.

By now the Second Life fashion world is hardly to imagine without LaRosa. It is seen as the pioneer for reasonably priced Second Life-fashion. Besides low costs and quality, LaRosa emphasizes a broad customer support. For her, Second Life is very fast moving, all she needs is patience and endurance.

4.4 Case 4 - Filipa

Avata named Filipa Thespian: female, 39, from U.S.A.

In real life, she used to be a graphic artist since 1990, used to own a commercial print shop, a print brokering business, eventually marketing/web design/graphic
design and now she manages a theatrical licensing company and do illustration for them.\textsuperscript{8}

Then she had a new role in the virtual world.

She originally joined Second Life in 2005 since, according to her, it is a passion. She had owned role play sims before, and started creating fashion as a hobby in 2008. It started to make money, and now she roped her real business into using second life for real life business purposes and trying to merge up the two in a way.

Filipa owns and built the Sim called “Park Avenue” on which her store which houses Filipa Couture and La Kara Role play Attire reside. Also found on Park Avenue are The Pyramid Theater, Swirl Rocks nightclub, the home offices of Swirl and many other shopping and relaxation opportunities.

The pyramid theater is modeled after a 1920’s art deco theater.Last show was a hybrid fashion show\textsuperscript{9}. The feel and the textures and technology of the theater images are kept simple to help reduce lag. The theater is also available to rent for others to hold events. See figure 4.7\textsuperscript{10}

Opposite her theater is Filipa Couture. All types of clothes can be bought there. In the corner, there is a room where the bathing suits are and it opens up to the beach. She has built some small houses for renting and advertisements. See figure 4.8\textsuperscript{11}

Then down on the water is her club that she has. For her, the club is used to attract more traffic. See figure 4.9\textsuperscript{12}

Her plan is to merge real life business and virtual life business together, that is what she has already been doing.

When I took this interview, she was doing a rebranding on her business, including changing the name of clothing business, new logo, redoing all the product signage and packaging. She rebuilt the store and how the products are displayed. It’s a lot of work and she is actually making two businesses out of one.

For her, the biggest difference when compare Second Life business to real life business is that so what able to sell something for in Second Life is very different than to sell it for in real life. It also affects the mindset of those purchasing in one venue vs the other.

Another difference is that for the virtual clothing it’s not a big deal because virtual clothing is just really here in Second Life, but licensing her plays and

\textsuperscript{8}http://www.jandgunlimited.com/
\textsuperscript{9}http://www.flickr.com/photos/givinitaswirl
\textsuperscript{10}http://giveitaswirl.info/swirl-showroom/set-design/
\textsuperscript{11}http://slurl.com/secondlife/Park%20Avenue/81/84/21
\textsuperscript{12}http://slurl.com/secondlife/Park%20Avenue/81/84/21
musicals to theatrical groups here in Second Life, what she can get to do that in real life is light years different than what she can get for the same product and work in Second Life.

She has a bachelor degree of business management which gave her benefits when she conducted business in the virtual world.

Filipa believes she is an entrepreneur and has always been. Her parents were both entrepreneurs and they raised her to think like that. In her career she has only been employed by others a handful of times whereas most of it she has been self employed or worked for the family businesses that she will one day inherit.

She has an assistant, which helps her with builds. She researches information what Filipa asks to look up.

The business in Second Life for now, she said, it’s all her need, but she is hoping that things will go in a direction that then she will need to branch out for more help.
4.5 Results

According to the four different cases, we can find something below.

Those four people, have different motivations to enter into Second Life. Amutey Decuir was encouraged by her friend, “My best friend knows I am a real life artist, and think that I should start a business here and she made me to do it ”;

LaRosa Kohime’s motivation was to create outfits. “For me other designs were just too expensive, that was the basis why I started LaRosa. You must bring a lot of money here purely to buy beautiful things, therefore I have designed my own outfits”;

Serina Lacava started her business by accident. “I heard in TV from Second Life, had time and take a look at Second Life. After some days, I didn’t know what to do (I don’t like dancing, clubs and others in Second Life, because I have this in real life) and I start to make some clothes. I like to create very much and this is the big point, why I am in Second Life”;
Filipa Thespian wanted to practice and combine her real life business with Second Life. “Second Life has been a passion of mine since I originally joined it in 2005. I have owned role play sims before, and started creating fashion as a hobby in 2008. It started to make money, now I have roped my real life business into using Second Life for real life business purposes and trying to merge up the two in a way.”

They also have different education background. Amutey Decuir has a bachelor degree of art, LaRosa Kohime and Serina Lacava did not go to colleague while Filipa Thespian has a bachelor of business management and she confirmed that it is the business knowledge which makes her different from other entrepreneurs. “I think marketing knowledge is the better key when you do business. so many do not know how to gain any visibility to get their products sold and i think that is so very important. however, it’s a large world out there and stranger things have happened so I suppose those with no business saavy could definitely succeed, I believe many have done so. I do know that there are some who are merging their real life and Second Life businesses are ones with business knowledge and they tend to only want to work with others with similar education and/or understanding. I think those without the knowledge are not merging real life and Second Life but
just creating in Second Life a business.”

They have different real life roles. Amutey Decuir was a silent partner of three clothes stores, in different cities in the world. LaRosa Kohime and Serina Lacava has no formal real life job, and treated business in Second Life as their full time jobs while Filipa Thespian has her own real business and her own virtual business. “I have been a graphic artist since 1990, used to own a commercial print shop, a print brokering business, eventually marketing/web design/graphic design and today in real life I manage a theatrical licensing company and do illustration for them.”

They do have similarities.

The ways they conduct business are similar, including having main shops, franchising, attracting members with various activities, which includes having avatar competition, sending out gifts, having advertisements, having customer service, holding fashion shows, etc.

There are differences between real life business and virtual world business. “It has less risk in Second Life but not as protected too many copy bots and everything”, said by Amutey Decuir, “and it’s word of mouth the most important part in a business.”

“what I am able to sell something for in Second Life is very different than what I can sell it for in real life, it also affects the mindset of those purchasing in one venue vs. the other.” Said by Filipa Thespian, “what i can get to do that in real life is light years different than what i can get for the same product/work in Second Life.”

“Second Life is so fast, if you don’t make some new things, if you don’t be better and better, so you will be forgotten in Second Life. You need to make all like real life (same time for advertise, good customer service)”, said by Serina Lacava.
Chapter 5

RQ1 WHY HAS AVAPRENEURSHIP DEVELOPED

According to the model introduced by Park (2005), entrepreneur, knowledge and experience and technology will help develop entrepreneurship while from my point of view, knowledge and experience will belong to entrepreneur while, another fact, which is market demand will be taken into consideration, and technology also, will help develop avapreneurship.

5.1 Entrepreneur

The entrepreneurs are the starting point of entrepreneurship and it would be rather difficult to start a new venture without someone initiating it.[Kieger(2010)]

The entrepreneur’s characteristics are one of the most predominant key attributes of growth of the firm.[Barringer Bruce and Neubaum(2005)] College education, entrepreneurial story, prior industry experience are the main components for entrepreneur’s characteristics. For the entrepreneurs in Second Life, they have different backgrounds.[Kieger(2010)] And for the entrepreneurs, it is interesting to see that they are mainly full time employees (94.7%). Some of the entrepreneurs are full-time employees in real-life companies and spend time in Second Life for their own virtual business during their leisure time, and other entrepreneurs are completely devoted to their virtual business and have no real-life jobs.[Kieger(2010)]

The profile of the entrepreneurs is not really different from the profile of the players not having started a venture: the distribution of responses of the entrepreneurs is comparable in terms of age, educational level, salary range, in-
volvement and time spent in the game to the distribution of responses of either the players of Second Life. It shows that the entrepreneurs know why they are using the platform, and they can be seen no more as individuals playing a game but as individuals having created a venture and trying to gain money from it.

The four interviewees have all confirmed themselves as entrepreneurs. Kieger (2010) claimed that entrepreneurs in Second Life are before launching a venture, players of those games. However, for these four interviewees, the main purpose is to start business and make money in Second Life. Those people came into Second Life with purpose of doing business instead of just having fun and enjoying the game, that is one of the differences of Second Life from many other games, which allows you to create objects and to sell to other. Creating belongs to entertainment while selling relates to business. Second Life, is a place that combines entertainment and business together.

5.1.1 Motivation

Motivation is one of the most powerful driving forces in the workplace. It can mean the difference between tremendous success and failure.\(^1\) There are two kinds of motivation:\(^2\)

1. Intrinsic motivation occurs when people are internally motivated to do something because it either brings them pleasure, they think it is important, or they feel that what they are learning is significant.

2. Extrinsic motivation comes into play when a student is compelled to do something or act a certain way because of factors external to him or her (like money or good grades).

Amutey Decuir, who was encouraged by her friend to get involved into Second Life, belonged to the second situation, which is the extrinsic motivation. Amutey Decuir’s friend knows she has the talent of design, since she has already got the degree of art and the partner of clothing company also gave her a lot of experience of designing and business knowledge, that is why she encouraged her into Second Life.

The other three came to Second Life by their own, which is to create something and to sell, can be regarded as Intrinsic motivation, which means to motivate oneself, to find a reason and the necessary strength to do something, without the

\(^1\)http://www.sideroad.com/Entrepreneur/business-motivation.html
\(^2\)http://en.wikipedia.org/wiki/Motivation#Intrinsic_and_extrinsic_motivation
need of being influenced to do so by another person. But we still can specify them into different categories.

Serina Lacava was attracted by Second Life and wanted to create something and do business here, which can be regarded as intrinsic motivation. While LaRosa Kohime started her own business because she thought it was expensive to buy products so she start to design herself, which makes her belong to the extrinsic motivation. Filipa Thespian, which with her real business, came to Second Life and to start virtual business, with the purpose to get mutual benefits for both of her businesses, can be regarded as the intrinsic motivation.

No matter they are intrinsic or extrinsic motivation, they are positive motivations which help and encourage people work towards a goal instead of getting away from it.

5.1.2 The knowledge and experience

Professional and technical education are key indicators for entrepreneurial success. They provide the base for development of entrepreneurship. The professional and technical education helps the entrepreneurs in identifying right kind of business, market and technology. It also helps in taking product decisions related to costs, raw material procurement and selection of appropriate technology and manpower.[Panda(2002)]

From the qualitative data it is found that previous occupational background plays a significant role in the business success. Many of the entrepreneurs have voiced this opinion during the study. The previous occupational background greatly influences the entrepreneurial venture by which the entrepreneur is able to bring all his knowledge and experience in to the new business.[Panda(2002)]

First, three of four interviewees confirmed that they have previous knowledge about sims. Sims, is a simulation of the daily activities of one or more virtual persons in a suburban household near Sim City. The experience of sims, which is similar to virtual world games, helps them get familiar easier with Second Life platform. The entrepreneurs and the players know exactly how the platform is working and what are the advantages and disadvantages of it.[Kieger(2010)]

Second, the education knowledge that they have received helped them to achieve their goals. Amutey Decuir hold a bachelor degree in marketing and fine art, Serina Lacava learned management courses during her evening courses, LaRosa Kohime went to secondary school for hairstylist and nail design, while

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4 http://en.wikipedia.org/wiki/The_Sims
Filipa Thespian had a bachelor degree of business management. To design something in second life, you do not need to have a design ability but you should obtain a sense of beauty. Three of four received courses relate to art or business management, which help them build a sense of beauty. Besides, business knowledge is important in real life but it seems not that important in Second Life. When one has business knowledge, he or she may have something different way of thinking, for example, Filipa Thespian, the one who has business degree, is an entrepreneur in real life, and now she is turning to combine real business and virtual business together, while the one who does not have business knowledge would like to conduct business just in virtual world since it is less risky and easier to do.

Third, personal or work experiences help them also. Amutey Decuir is a silent partner of a clothing company, Serina Lacava had experience of management and human resource since she once was head of household operation, Filipa Thespian is an entrepreneur in real life. The three interviewees have experience about business and management, which will influence their business in second life.

Second life business does some help for her real life business. Filipa Thespian is the only one of them who has the education background of business management, and she is also the only one that want to combine real life business with virtual business. Now she is trying to bring their plays and shows into second life to be performed and videoed. The other interviewees confirmed that they only want to conduct business in Second Life, even for Amutey Decuir, who is the partner of clothes company. None of them want to combine those businesses together or to use Second Life for real business’s development.

5.2 Market demand

The market demand for a product is made up of a new customers to the market and existing customers who continue to purchase the product.[Best(2008)]

Towards the end of 2007 and the beginning of 2008 media coverage turned away from hyping Second Life and called it a dying virtual world that looses residents and companies because of their unsatisfying experiences [Computerwoche.de, 2008; Gierke, Müller, 2008: 12; Skinner, 2007]. It is true that the growth in new account sign ups declined, and also the growth of hours spent in Second Life declined, but overall it was still growing.

The Second Life economy kicked off 2010 with strength in many key indicators
in Q1. in Q1.\(^5\) User-to-User Transactions totaled US$160 million, a 30% increase year-to-year and an all-time high.
Total Sales on Xstreet reached US$2.3 million, an 82% increase year-to-year and a 24% increase over the previous quarter.
Total L$ exchanged on the LindeX totaled US$31 million, a 9% increase year-to-year.
Residents active in the Economy reached 517,349 in March, a 2010 high.
Monthly Unique Users with Repeat Logins peaked in March at 826,214, a 13% increase year-to-year and an all-time high.
Creativity pays in Second Life. Even in this tough economy, the market and growth of virtual worlds and virtual goods continues to soar. A recent report from market research firm Strategy Analytics predicts that the adult social virtual world population will grow from 11.5 billion in 2009 to 32.5 billion in 2015. This bodes well for the virtual goods market, and presents an opportunity for forward-thinking 3D developers to sharpen their skills and solidify their reputations within this emerging market. Whether you are a builder, coder or consultant, you can develop, design and sell your own virtual goods and environments, or help others using your 3D development skills. The Demand for Virtual Goods in Second Life Will Skyrocket.
Now, over 116 million products has been sold in Second Life. See table 5.1\(^6\)
Using the number of items in each category I’ve put together the pie chart. See figure 5.1
To no one’s surprise, the champion belongs to clothes making. Home and garden is in the second place, followed by Avatar Accessories. People really really like to make outfits and costumes. Anyone breaking into this market better give some thought about how to stand out in the sea of competition.
Second Life has revolutionized the online world by allowing residents to own the intellectual property rights to their creations. Second Life residents set and pursue their own objectives and are willing to spend real money to do it. Because it takes time and effort to create objects in Second Life, there’s a demand for ready-made virtual products. In response to this, users have become adapt at creating desirable property.\(^7\)

\(^5\)http://nordicworlds.net/?tag=economy
\(^6\)https://marketplace.secondlife.com/
\(^7\)http://popcha.com/combinedstory_whitepaper.pdf
CHAPTER 5. RQ1 WHY HAS AVAPRENEURSHIP DEVELOPED

Table 5.1. Over all products

<table>
<thead>
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<tbody>
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<td>Apparel</td>
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</tr>
<tr>
<td>Home and Garden</td>
<td>181779</td>
</tr>
<tr>
<td>Avatar Accessories</td>
<td>155347</td>
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<tr>
<td>Building Components</td>
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<tr>
<td>Avatar Appearance</td>
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<td>Celebrations</td>
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</tr>
<tr>
<td>Animations</td>
<td>39401</td>
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<tr>
<td>Art</td>
<td>32449</td>
</tr>
<tr>
<td>Recreation and Entertainment</td>
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<tr>
<td>Business</td>
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<td>Animals</td>
<td>16319</td>
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<tr>
<td>Weapons</td>
<td>14726</td>
</tr>
<tr>
<td>Gadgets</td>
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<td>Vehicles</td>
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</tr>
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<td>Services</td>
<td>451</td>
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<tr>
<td>Everything Else</td>
<td>160</td>
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<tr>
<td>Mainland</td>
<td>55</td>
</tr>
<tr>
<td>Xstreet SL</td>
<td>8</td>
</tr>
</tbody>
</table>

5.3 Technology

Second Life exhibit all the necessary factors of a virtual games proposed by Mayer-Schöberger and Crowley (2006): persistence, teleology, malleability, and verisimilitude.

Persistence and malleability: Second life is a contiguous, persistent world since it is an endlessly expandable landscape. There is no limitation about you will build, the size, the place, and time. It can support thousands of Second Life Residents simultaneously. Besides, Second Life itself provides design tools for players to create any kind of things they like. In-world Building Tools which are easy to learn allow you to create anything you can imagine. Build right in Second Life—no
Teleology and verisimilitude: The new Metaverse transactions system available in those games enhances the teleology and verisimilitude factors, which plays a fundamental role for the achievement of the players and the entrepreneurs in their social virtual life and the immersion factor is even more fulfilled. [Kieger (2010)]

The very nature of the Second Life economy provides opportunities for companies and individuals to engage in commerce in Second Life. In some cases, the goal is to exchange virtual goods for Linden dollars and, in other cases, the goal is to use the Second Life environment to increase commerce activity in real life. [Lyons (2008)] The currency exchange of LSD and USD encouraged players to start business here, which is one of the important reason for the growing business environment inside Second Life.

Virtual world platforms almost always allow participants to use scripting or

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8http://teen.secondlife.com/whatis/technology
building tools to create or modify in-world content. Cory Ondrejka, the Vice President of Product Development and Linden Lab, refers to user creation as a way to escape the “gilded cage” of traditional game environments, freeing users to experience settings that are not envisioned by the game developer. User creation can allow virtual worlds to capture the “arms races” that arise in so many business contexts. [Bloomfield(2007)]

### 5.3.1 The Second Life Marketplace

Most of the stores in second life choose Second Life Marketplace as their franchising and distribution channel.

Second Life xstreet, which is going to be replaced by a new website, called Second Life Marketplace, the latter is now under testing and will soon become the main trading market of Second Life. See figure 5.2.

Normally entrepreneurs have one way to sell their products, that is to display the products in the stores, and consumers can come to the stores and buy products.

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9. [https://www.xstreetsl.com/](https://www.xstreetsl.com/)
Second Life Marketplace provides a platform that entrepreneurs can display their products or their franchising package to the purchasers. See figure 5.3

5.3.2 Company Website

Many Second Life businesses do have company websites to help promote their products. Amutey Decuir, Serina Lacava, LaRosa Kohime’s company websites are very product focused containing posts about new products or company news while Filipa Thespian is more personal with occasional mentions of their in-world happenings. See figure 5.4

Having a company website helps to have another way people can find you. It will also make it easier for Google to find your items and even link to it. You never know when you’re going to catch a link from another popular site.

And it is a place which hoping gather feedback – Unless you purposely turn off comments, your website can be another way for people to share their thoughts.

Besides, the cost of setting up a company website is low – There are plenty of

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13 http://givitaswirl.info/swirl-showroom/
site like wordpress.com and blogger.com for people to start a blog for free. The only real cost is time. This is something you can choose to put in as little or as much as you want.

### 5.4 Summary

To sum up, the facts enable the emergence of avapreneurship in second life including see figure 5.5. To develop avapreneurship, an entrepreneur is the start point, especially a motivated one with knowledge and experience.

A motivated entrepreneur knows what he/she wants to do and to achieve.
The knowledge and experience in real life do have great influence on how to do business in second life.

Besides, a growing market and technology are also needed to develop avapreneurship. These two factors provide two possibilities for doing business here in second life.

Entrepreneurship exists in virtual world since all the conditions are present:
an entrepreneur willing to invest money in order to increase his wealth, a new technology giving new sources of revenues, and a market which is growing and well understood by the entrepreneurs.
Chapter 6

RQ2 HOW TO ACHIEVE AVAPRENEURIAL SUCCESS

To successfully run a firm in real world, one should provide values to customers and to maintain competitive advantage. The model of competitive advantage can also be applied to avapreneurship in Second Life.

6.1 Find out resources and capabilities

According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear.¹

Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. The following are some examples of such resources:

- Patents and trademarks
- Proprietary know-how
- Installed customer base
- Reputation of the firm
- Brand equity

¹http://www.quickmba.com/strategy/competitive-advantage/
Capabilities refer to the firm’s ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate.

The firm’s resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage.

Michael Porter identified two basic types of competitive advantage:

- Cost advantage
- Differentiation advantage

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

According to Amutey Decuir, one of the most important factors of her success is her sense of beauty, which makes her designs more beautiful and fashion. Besides, she creates more than ten releases during one month, which allows her to catch up or sometimes lead the fashion, to attract the consumers. She also has the customer base of about 23,000 members.

According to Serina Lacava, her design style is sexy and detailed. The company started with a small range of t-shirts and jeans, but grew very quickly because of the determination of the owner in learning how to make her own fashion collections and is meanwhile famous for its sexy and detailed style: The unmistakable style of Serina Lacava.

According to LaRosa, cheap price is the core value for her products. LaRosa is quotes the most favorable prices so that the label is getting more and more popular. Many avatars attach great importance to premium quality without spending thousands of Linden Dollars for fashion.

According to Filipa Thespian, she created her own business center in second life, which people can go shopping, go relax themselves. She wants to provide a whole chain of business, not only clothes stores. Besides, she combines real life business and virtual world together, which give her customers a fresh and innovated way of solution.
Based on those analysis, we can have the conclusion that LaRosa is the one to have the cost advantage and the other three took the differentiation advantage.

### 6.2 Create value through the value chain

To analyze the specific activities through which firms can create a competitive advantage, it is useful to model the firm as a chain of value-creating activities. Michael Porter (1985) identified a set of interrelated generic activities common to a wide range of firms. The resulting model is known as the value chain and is depicted above.6.1

The goal of these activities is to create value that exceeds the cost of providing the product or service, thus generating a profit margin.

#### 6.2.1 Inbound logistics

The traditional idea relies heavily on a proposition that creation and development of entrepreneurial talent largely depends on the adequacy of funds with the entrepreneur. Though in many cases the initial investment capacity of the entrepreneur is not considered as a success factor in small scale sector, but many financial institutions make it mandatory for the entrepreneurs to have a percentage of the initial cost of the project as the margin money.[Panda(2002)]

But in Second Life, you do not need to have a lot of funds to start doing business. The price will be around 100-1000 USD to buy an undeveloped land or developed land and it will be more cheaper to choose just buy a store or rent the
store yourself, which is around 60-200L$ per week. What are more important, is time and energy.

Besides, selecting location for a store is vital for success since it is a unlimited world.

All interviewees have their own island. Buying an island will be more expensive than staying at a mall but it will have less competition since there are lots of stores so it is harder for you to attract customers to shop in your store. Typically to set up shop, you will need to rent a location which also costs some money. There are a few places that allows new comers to setup shop for free.  

On the technical level, you will need L$10 to upload a texture of the product you’re selling. You can either buy the L$ or try looking for them through searching for the words “free money” in Second Life. The latter method will take longer to acquire the initial funding, but it’s free.

6.2.2 Operations

Not everything that has value in the physical world share the same value in the virtual world. Digital donuts clearly don’t have the same sugary goodness as a physical one. However, many things do retain their value even in the digital form, for example, clothing, toys, classes, information, etc. Typically things that focus on social needs rather than physical needs translates quite well. Clothing carries significant value in any digital world simply because it is the most common way of self-expression. Examples that have less value in Second Life: food, cars, diamonds. Diamonds loses their primary value simply because the rarity attribute ceased to exist in a digital medium. In other words, it’s not precious because it’s copyable.

In second life, operations means design something and make it to the ready-made virtual products. Thus, to make a “Must Buy” Product is important in the operations process. There are four qualities which a product should have to become a must buy.

Quality #1. Be Unique

How different is your product from the rest of the crowd? Are you selling a red dress in an ocean of red dresses? Without a conscious effort, this can be an especially hard quality to achieve.

\(^2 \text{http://ucsos.com/GmStart/3/0/20090823125611W9XC2.Html} \)

\(^3 \text{http://xdfusion.wordpress.com/2009/01/06/how-to-start-a-business-in-second-life/} \)

\(^4 \text{http://xdfusion.wordpress.com/2009/01/08/what-sells-in-a-virtual-world/} \)

\(^5 \text{http://xdfusion.wordpress.com/2009/02/12/recipe-for-creating-a-must-buy/} \)
Ways to stand out: Price – One can certainly be different simply by being cheaper (or the cheapest), but don’t use price as the only way of standing out. There are obvious disadvantages for pricing too low. LaRosa was the first to have her outfits sold for little money which let her easy to make money at first.

Style – In Second Life, aesthetics is the key. Second Life’s economy is based on an economy of aesthetics: the products that sell are the remarkable, experiential, outlandish and niche. Three of the interviewee have the degree of art, or experience relates to beauty areas, that is why they can have the design ability. But just like I said before, design ability is not that important, the most important is that you have a sense of beauty.

Bliss couture design focus on elegance, see figure 6.2
SLC design is always sexy, see figure 6.3
Filipa design is with fashion, see figure 6.4

The three avapreneurs all have their own design style, which can be unique from others.

Quality #2. Create Strong Emotions

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6http://popcha.com/combinedstory_whitepaper.pdf
7http://bliss-couture.blogspot.com/
8http://selaco.wordpress.com/
9http://filipa.giveitaswirl.info/
Don’t forget, especially in virtual worlds, most purchases are made for the sake of an emotional need. Dresses are not bought because they need to keep warm. Shoes are not bought so that they can walk more comfortably. Underneath it all, people are trying to feel more confident, sexier, smarter, empowered, funnier, grab more attention, etc. So leverage your setting – It’s hard to convey the right feeling if the look and feel of your store do not match.

Bliss couture main store, see figure 6.5\(^\text{10}\)
SLC main store, see figure 6.6\(^\text{11}\)
LaRosa main store, see figure 6.7\(^\text{12}\)
Filipa main store, see figure 6.8\(^\text{13}\)

\(^\text{10}\)Second Life address: Gown128.200.352
\(^\text{11}\)Second Life address: SLC Main store, Fashion Place (140, 225, 22)
\(^\text{12}\)Second Life address: LaRosa Due 108.134.3999
\(^\text{13}\)http://filipa.giveitaswirl.info/about/see-the-store/
Figure 6.4. Filipa design

Figure 6.5. Bliss couture flagship store
6.2.3 Outbound logistics

Buying product in second life is very easy. Just click the product that displays in the store, and then click purchase and pay, it will become your own product immediately.

Another way to purchase is to go to Second Life market place which has been mentioned before. It is a normal 2.0 website for shopping.

Try to make it easy for people to understand your product. Make sure they “get it” at the first glance.

Ways to be easily understood: 14

- Have a self-explanatory name – Sometimes the product name is the only shot

14http://xdfusion.wordpress.com/2009/02/12/recipe-for-creating-a-must-buy/
you have. People’s attention spans are very short. Therefore, be concise.

• Have only the right features – More is not always better. Better is better. Focus on exactly what your product needs to do and do nothing else.

• Keep essential instructions brief – People don’t read instructions. Therefore the large majority of your product’s features should either be 1) easy to figure out or 2) optional and does not get in the way.

6.2.4 Marketing and sales

A marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centered around the key concept that customer satisfaction is the main goal.[Best(2008)] You now have a brand, how can you tell consumers know about that. If you stay in a mall, there are at least more than 10 stores around you. How could you attract consumers out there to come into your store? That is a big question. Your product should not be the best in second life, but if you want to sell well, you need to have the best marketing.
Common ways of marketing in Second Life includes having member groups, discount on products, etc. See figure 6.9\textsuperscript{15}

Besides those common ways of marketing, they also have special ways to attract customers.

Bliss Couture is now holding the MISS BLISS COUTURE 2011 Model Search, which looks for a lady that represents the essence of Bliss Couture, glamour and style! See figure 6.10\textsuperscript{16}

Serina Lacava requires her franchisers to open up the same stores, which just like McDonald’s. It is a way of saving time, cost and energy, while this kind of activity makes her stores easily recognized by consumers.

Filipa also has ways of promotion.

For example the 10% Repeat Customer Discount:

“Join the Someone Entertain Me! group in Second Life. Wear your group tag when you shop at our Main Store on Park Avenue and you will automatically

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{larosa_service.png}
\caption{Larosa service}
\end{figure}

\textsuperscript{15}http://larosakohime.wordpress.com/author/larosakohime/
\textsuperscript{16}http://bliss-couture.blogspot.com/
and also the Midnight Madness:

“There are Two Midnight Madness Boards up in our store, each with a different prize option. Visit our Main Store on Park Avenue, click the board and if the target # has been met by Midnight that night, EVERYONE gets the gift shown on the board … for FREE!!! Bring your friends, get everyone click in’ so everyone can win!”

LaRosa also has the similar promotion. See figure 6.11

Some other tips:

1. Your profile’s picks tab – There’s absolutely no excuse for not having your shop in your profile’s picks tab. It’s the first place people look when they are looking for your shop. It also helps to make sure your shop is the first on the list.

2. Show place in search (L$30/week) – This is a must when you have control of the land your shop resides. This is the cheapest way for people to find you when using the search button.

3. Classified Ads (L$50/week) – Obviously you can spend more than L$50 on this one. The minimal L$50 classified is a must as it at least puts you in the search results.

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17http://larosakohime.wordpress.com/author/larosakohime/
3. Snapzilla, blogHUD, Flickr – Photo sharing sites like these might also be a good way to showcase your products. The difficult part is usually getting to come to your shop after seeing the picture. See figure 6.12

6.2.5 Customer service

There are two different ways for people to get in touch with the couture. First is to send note card directly to the company. The second way is to leave message or comment on the company websites or the Second Life Marketplace.

Now more and more stores begin to have customer representatives. When you go into a store and have some questions to ask, who you will turn to. For examples, Bliss Couture now has over 20 customer representative spread in different stores. See figure 6.13

When you enter into the store, the customer representative will send you welcoming message or some advertisement of the store itself.

In their book "Rules to Break and Laws to Follo", Don Peppers and Martha Rogers wrote that "customers have memories. They will remember you, whether you remember them or not." Further, "customer trust can be destroyed at once by a major service problem, or it can be undermined one day at a time, with a thousand small demonstrations of incompetence."[Peppers and Rogers(2008)]

According to SLC, customer satisfaction is what they are after. Customers

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19http://www.flickr.com/photos/blisscouture/sets/72157620950674314/

Figure 6.12. Bliss couture flickr
reaction aren’t referred to an ordinary Second Life support email address where they are left alone. All customer’s requests and criticism are taken serious and are dealt in world. Knowing that, it isn’t astonishing that customer interviews concerning contentedness are performed permanently in the main store. Participating clients are paid an adequate compensation.

6.3 Summary

To do business in second life, you also need to follow the rules in real life which is to create value to the customer and to maintain competitive advantage. Thus, you will have the chance to get succeed.

Competitive advantage can be formed up from resource, capability, cost and differentiation advantage and through value chain.

The resource can be patents and trademarks, or proprietary know-how although it used to be a mass in second life but now it allows creators to register their patents and trademarks of their products which are created in second life.

Installed customer base. Customer base is important since they will be your main purchaser. How to attract customer needs to be focused on.
Reputation of the firm. Those firms with long history will always have advantage of reputation. After time passed, those firms exist, which will help prove their reputation.

Cost and differentiation advantage are two basic types of competitive advantage. To focus on cost or on differentiation will be two strategies for firms. To maintain the cost leadership in the market, or want to provide the most specific products or service in the market.

Each area in the value chain can be important to deliver value to customers and to create competitive advantage in real life. But in second life, Inbound logistics, operations, and marketing & sales seems more important than the two others, which are and outbound logistics and service.

See figure 6.14
CHAPTER 6. RQ2 HOW TO ACHIEVE AVAPRENEURIAL SUCCESS

Figure 6.14. Value creation
Chapter 7

CONCLUSION

The thesis focuses on two research questions, which are why has avapreneurship developed in Second Life and how to achieve avapreneurial success.

For the first research question, the model of innovation has been adopted. Entrepreneur with motivation, experience & knowledge, a market with customer demand and technology which provides a platform, are the three vital factors to enable entrepreneurs to conduct business in second life. Avapreneurs start to conduct business with different motivation. Some belong to the intrinsic motivation, which occurs when people are internally motivated to do something because it either brings them pleasure, they think it is important, or they feel that what they are learning is significant. While some come to second life with extrinsic motivation, for example to make money by selling products.

Past experience and knowledge do help them. Those players, have previous knowledge about sims, while the experiences of sims, which is similar to virtual world games, help them get familiar easier with second life platform. The entrepreneurs and the players know exactly how the platform is working and what are the advantages and disadvantages of it. [Kieger (2010)]. Besides, compare their personal experience relate to business, they all have some experience of business or management, which will influence their business in second life.

Second, the education knowledge that they have received helped them to achieve their goals. Amutey Decuir hold a bachelor degree in marketing and fine art, Serina Lacava learned management courses during her evening courses, Larosa Kohime went to secondary school for hairstylist and nail design, while Filipa Thespian had a bachelor degree of business management.

And then, with the facts that enable you to do business, how to achieve success. To create customer value and competitive advantage is the way to achieve the
aim. Resources like patents and trademarks, proprietary know-how, customer base firm reputation, brand equity. To utilize those resources effectively, firms will form two advantages including cost advantage and differentiation advantage. Through the value chain, firms can deliver values to customers and maintain competition advantage. In second life, location, product, marketing & sales seems more important than others in the value chain.

7.1 Limitation

First, only second life was taken into consideration as sample of virtual world. Second life is different from many other virtual world, so the results found may only be suitable inside second life, not for other virtual worlds. Besides, the selection sample 2, which the four cases, were taken randomly, and may not represent the most typical ones.

Second, only fashion industry was taken into consideration as sample of business area in second life.

Third, only four cases have taken into deep investigation, thus, the sample number may not be enough for the research, and they may not be the most typical ones also.

Fourth, only interview method has been taken, so it lacks of data analysis.

7.2 Further research

For the column Second Life, women are more present in the game. This result is confirmed by the columns Second Life stats and Second Life survey stats. It can be explained by the nature of the game: Second Life® is a game which gives the opportunity to individuals to create and sell product [Kieger (2010)] Thus, the differentiating of female and male avapreneurs may be an interesting topic to study. For example, how female avapreneurs behavior differently compare to male avapreneurs? What factor enable female and male to become avapreneurs?

Besides, I have mentioned in the thesis that the knowledge of business management may influence the business behavior in second life but it lacks enough evidence. This area is also good to develop.

Thus, the sample size can be boarded. In this thesis, there are four cases, and which are all females. The numbers of cases can be added and the gender of male can be included also.
Bibliography


Chapter 8

APPENDIX

8.1 Interview Questions:

Q1. Basic information including age, gender, education level, marital status, major, etc.
   Q2. Have you ever attended any virtual world before Second Life?
   Q3. Why did you enter into virtual world?
   Q4. How many stores do you have? Are they profit?
   Q5. Do you treat this as your career? Do you have a full time job?
   Q6. How to have more traffic into your stores? Branding, marketing, promotion? Do you have any strategy?
   Q7. What is hard for you to do business in second life? And how do you learn how to do business in second life?
   Q8. Do you have management team? Do you have sales person?
   Q9. Do you have any business strategy, what is your business strategy.
   Q10. Do you think you are an entrepreneur?

Besides these basic questions, I will have some further questions according to the interviewees’ answers.

All the interviews have been held in Second Life and by email.