

VIRTUAL CONSUMERISM

A presentation given at P2P
Universal Computing Consortium's
visit to HIIT

Vili Lehdonvirta

vili.lehdonvirta@hiit.fi

<http://www.hiit.fi/u/vlehdonv/>

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VILI LEHDONVIRTA

- Researcher, Helsinki Institute for Information Technology HIIT
 - Digital Content Communities research group (MC2)
- M.Sc. (Tech.), Helsinki University of Technology TKK
 - ICT business, economics
 - National University of Singapore, Faculty of Law 2003-2004
- Java game developer 1999-2003



AGENDA

- I. Terms and context: “Virtual worlds”
 - MMORPGs, Habbo Hotel, etc.
- II. Real-money trade (‘RMT’) of virtual assets
 - People trading virtual assets for real money at significant volumes
- III. News from Korea
 - The market leader in virtual asset trade
- IV. Implications: business, legal, social
 - E.g. to what extent could virtual consumerism substitute more tangible forms of consumption?
- V. Our next project: virtual consumerism

I. TERMS AND CONTEXT

- Massively Multiplayer Online Games (MMOG, MMORPG)
 - Ultima Online, EverQuest, World of Warcraft, Lineage, Anarchy Online...
 - Social environments
 - Habbo Hotel, The Sims Online...
- ⇒ The above can be referred to collectively as “virtual worlds”
- Shared characteristics: numerous users, real-time interaction, geometric space, avatars, persistency



I. TERMS AND CONTEXT

- Users can 'own' various assets in virtual worlds (e.g. Lastowka & Hunter 2004)
- Five categories of "virtual assets" can be identified:

1. currency (money, gold)
2. realty (land, buildings)
3. personal property (items, clothes)
4. avatar attributes (skills, levels)
5. securities (shares, options)



I. TERMS AND CONTEXT

- Players can trade assets inside a virtual world
 - For example, one player can purchase a virtual castle from another player for a sum of virtual gold coins
- Trade takes place in bazaars, auction houses and other marketplaces depending on the design of the virtual world



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I. TERMS AND CONTEXT

- In addition to player-to-player (P2P) transactions, there are also player-to-environment (P2E) transactions
 - Computer-controlled salespersons and vending machines
 - Harvesting minerals and other raw materials from the nature
 - Hunting and fishing
- These networks of virtual transactions can be called “virtual economies”



II. REAL-MONEY TRADE OF VIRTUAL ASSETS

- In 1999, some players began putting virtual assets on auction at eBay for real money

Item Title	PayPal	Price ▼	Bids	Time Left
SWG Jedi Knight Corbantis JTL Rifle/Sword + Doc/Merch 5mil+ Rebel, alt Swords/Rifle also bonus doc/merch acct		\$455.00	15	2h 33m

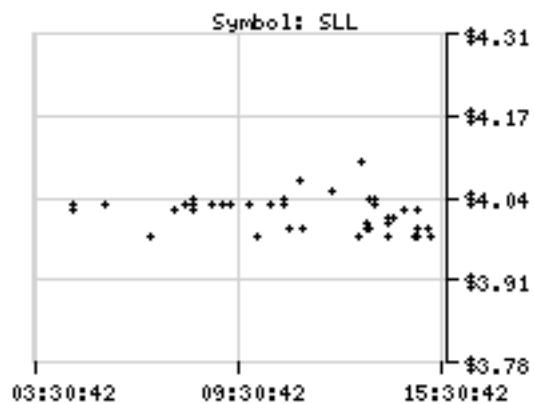


II. REAL-MONEY TRADE OF VIRTUAL ASSETS

- Today, this “*secondary market*” is huge
 - There are numerous marketplaces such as eBay, PlayerAuctions, Open Gaming Market
 - Dozens of companies operate in the market, buying and selling virtual assets
 - Trade volume is estimated at USD 100 M - 1,5 Bn
 - It is possible to determine a fair market price for virtual assets, e.g. a nice castle in a good neighbourhood with services nearby = 1 100 USD
 - It is possible to determine an exchange rate for virtual currencies, e.g. 1 USD = 2.16 Gold Coins

Daily summary:

Last trade:	\$3.98
Change:	-\$0.05
Best selling price:	\$3.98
Best buying price:	\$4.00
Blocks traded:	866
Open:	\$4.03
Yesterday's close:	\$4.03
Daily high:	\$4.29
Daily low:	\$3.98
Today's average:	\$4.0217
Best selling rate:	251 / \$
Best buying rate:	250 / \$



Symbol: SLL

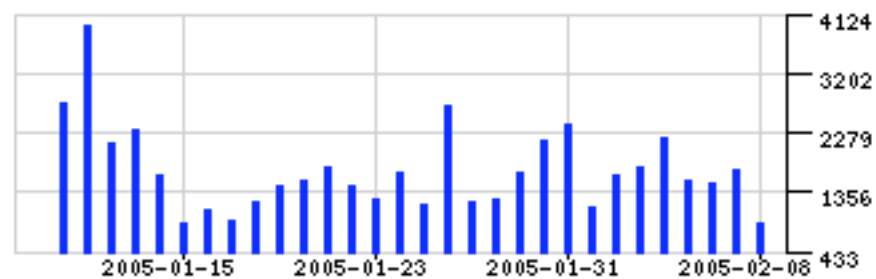


Chart Types

[Closing Price] [OHLC] [Candlestick]

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II. REAL-MONEY TRADE OF VIRTUAL ASSETS

- Are these people crazy?
 - “The value of objects does not depend on their characteristics or their components, but rather on their contribution to the well-being of the people who use them” (Castronova 2002)



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II. REAL-MONEY TRADE OF VIRTUAL ASSETS

- Many virtual world operators try to curb RMT
 - SOE asked eBay to take down EverQuest auctions
- Some virtual world operators are indifferent
 - EA allows players to trade assets, but will not accept liability for losses due to bugs or fraud
- Some virtual world operators got actively involved in RMT
 - Habbo Hotel's business model is based on selling virtual furniture to its users, 30M USD sales/year
 - Project Entropia guarantees a fixed currency exchange rate of 1 USD to 10 Project Entropia Dollars, profits from transaction fees



패션잡화
(551)



헤어샵
(321)



성형외과
(20)



매직아이템
(9)



게임아이템
(0)

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퓨처 워리어

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벨티드 하프코트

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정장+파시미나

1450 100

선물하기

III. NEWS FROM KOREA

"Korean computer game research group GameStudy.org":

- Online game market: 1 - 1.4 Bn USD
- RMT market: 0.7 - 1 Bn USD, 85.1% familiar
- Chinese gold farming sweatshops: 100 M USD

1 ★★★★★ 4.1



¼¼'10
1800 ii½



2 ★★★★★ 4.0



¼@uRO
40000 .



3 ★★★★★ 3.9



38000 .



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IV. IMPLICATIONS: LEGAL IMPACT?

- Are virtual assets property in the legal sense?
 - If yes, then who owns them, user or operator?
 - EULA validity?
- Is the operator liable for losses due to bugs, hacking, or adjusting?
 - Can the operator ever close down the service?
- Banking law, gambling law, consumer protection law? How about taxes?
- Intellectual property rights vs. virtual assets?

IV. IMPLICATIONS: BUSINESS IMPACT?

- Virtual asset trade is a growing section of the real economy
 - It is said that in Korea people spend more time in virtual worlds than watch TV
- Virtual asset revenue logic will be applied outside the context of virtual worlds
 - Korea: Cyworld.com, Finland: Aapeli.com
- ⇒ Unbundling of content into smaller, tradeable units?
- ⇒ Or forget about selling “content” and sell “control” of artificially scarce resources?

IV. IMPLICATIONS: SOCIETAL IMPACT?

- To what extent could “virtual consumerism” substitute more tangible forms of consumption?
- “Habbo Hotel is the most significant *inadvertent environmental feat* of the decade”
 - Dodo ry, July 2005

V. OUR NEXT PROJECT: VIRTUAL CONSUMERISM

- Objective 1: Understanding why and under what circumstances (*technical, economic, social*) consumers are willing to spend money on “virtual” goods and services
- Objective 2: Creating tools and methods for continuous and automatic collection and analysis of virtual consumption related information - the “market weather”
- Objective 3: Understanding advertising and branding in virtual worlds and in the context of virtual assets
- Objective 4: Understanding the industry and developing future scenarios

V. OUR NEXT PROJECT: VIRTUAL CONSUMERISM

- March 2006: visit to Distributed and Ubiquitous Computing Lab (DCL) at Waseda
 - 中島 達夫
 - about one year in total
 - data collection, networking
- Happy to meet you!

