

High interest rates

Metamoney: Finance sector case study

June 2007: Second Life, the 3D virtual world approaches seven million global registered users. Major companies around the globe are setting up presences inside this world and creating new innovative ways of presenting their brands into the influential early adopter demographic groups. This case study explains the rationale for Financial Services companies to enter Second Life, the marketing opportunities available, examples of brands already inside, profile analysis of the residents and why these people are important.

What is Second Life?

The Internet as we know it today consists of static 2D pages. You visit a website and read/watch the information or media presented on it. Second Life is different. It is a 3D virtual environment accessed in real-time which allows people to walk, fly and teleport around a world created by the people who live in it.

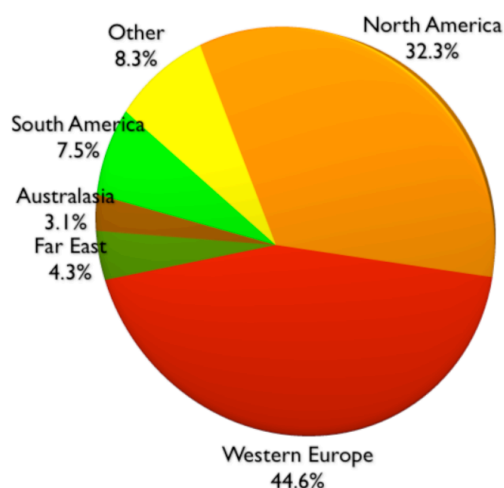
People can explore, examine and interact with the objects created within the world and uniquely, Second Life allows people to interact together in a shared collaborative space regardless of their geographical location.

Second Life is the first glimpse into the future of the Internet, a future of *'Places, not Pages'*.

How and why is it growing?

Second Life is a global application, meaning that anyone can become a resident. Initially, North America drove take-up due largely to the fact that the company behind Second Life, Linden Lab is based in San Francisco.

However, as the chart below shows, other regions and in particular Europe, have embraced this new platform.

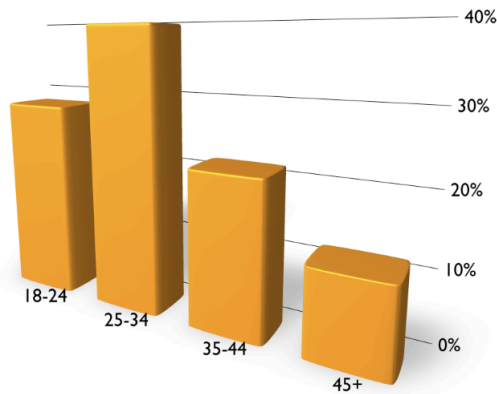


In late 2006, resident numbers broke through the 1m mark, helped by significant media coverage. Since then, the population has grown by 1m per month and now (June 2007) stands close to 5m.

As explained in the following sections, the unique characteristics of a typical Second Life resident has expedited the take-up, and the range of different countries represented.

Who is a typical resident?

Second Life is not a gaming application. There are no scores, no 'lives' to protect, no objectives and no end-result. Comparison has been drawn to World of Warcraft, an extremely popular MMOG (massive multiplayer online game) but the only real similarity is the fact that they are both virtual worlds. Importantly, whereas the average age of a Warcraft player is 17, for Second Life, the average age is 32. It is this fact which stimulated the interest in major brands to consider entering Second Life. Below is the age range spread for residents.



Also of note and further interest to brand owners is the fact that females account for 45% of users. A surprising, yet valuable piece of information.

Further analysis of the demographic profile of residents reveals that these people reside heavily within the Innovator and Early Adopter groups. Pre-December 2006, Innovators were the main types inside Second Life, but, as explained by the Rogers Technology Adoption Curve, Innovators act as a catalyst for Early Adopters. Whereas Innovators are very keen to trial new technologies, they have local social networks.

Why are early adopters important?

Early Adopters are tech-savvy, brand sensitive people. They are educated to a level higher than average and importantly act as opinion-formers. Their social networks are cosmopolitan, meaning they have the ability to recommend brands, products and services with influence to their friends, family and colleagues, across the world - another reason for the range of countries represented within Second Life. These types of

consumers also have above average household incomes.

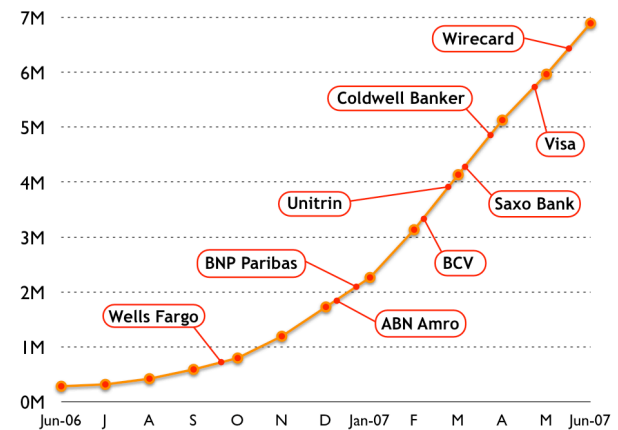
Which companies are in already?

A range of companies across many different sectors are already in existence in Second Life. These range from movie companies streaming their films into virtual cinemas, through to media companies such as MTV and NBC integrating shows through to apparel brands such as Adidas and Reebok creating virtual stores and IT companies like Cisco, Dell and IBM working towards creating virtual collaborative workspaces.

Below are the logos of some of these companies (no trademark infringement intended).



In terms of companies operating in the Financial Services sector, the chart below shows the timeline for brand entry.



The following sections explain how and why these companies created virtual world marketing strategies.

Reaching into the target market - ABN Amro

Netherlands' largest bank, ABN Amro, entered Second Life in Dec 2006, the first European financial services company to do so.

The high number of early adopter demographics residing in Second Life was the key motivator for doing so and one of the initial objectives of their presence is to provide a communications platform to provide financial advice to residents.

Wietze Reehorn, ABN Executive Board member said in a statement:

“Communicating with customers via the Internet can become more personal and more direct. Competition between Dutch banks will be determined to a significant degree by finding the best way to establish personal contact with customers.”

With this in mind, ABN Amro created a series of virtual islands enabling residents to meet with ABN representatives and obtain financial services information.



The K Zero strategic report ‘The Seven Point Plan for marketing in Second Life’ discusses the importance of developing on-going ‘Existence’ strategies to support virtual world marketing and ABN Amro have adopted this strategy by committing to a series of in-world seminars. These events are tailored to particular financial needs and segments such as graduate banking services, young professionals and small business advice. Second Life offers a new way to facilitate communications with these markets in a much more content-rich and engaging manner than say a website or a brochure.

Thinking beyond using a virtual world platform for marketing and communication of product offerings, ABN also has a dedicated island for

employees. This venue is a shared collaborative space that allows ABN associates from around the world to interact on a real-time basis inside Second Life - a virtual intranet.

ABN Amro also leverages its real-world sponsorships and media relationships by hosting non-financial events such as a recent in-world Q&A session with the Director of the World Tennis Tour Tournament, Richard Krajicek.



Virtual trading - Saxo Bank

Leading online investment house Saxo Bank (based in Denmark) decided to create a virtual trading experience for visitors to their virtual office. The game, inside their building allows residents to trade currencies based on real-time data. The latest rates are visualised inside Second Life via a series of coloured bars and charts.



To add to the competitive nature, each week the winners are awarded with Linden Dollars as a prize.

This initiative is part of a longer term plan to eventually offer residents the ability to manage their real-world financial portfolios inside Second Life. The highly interactive and visual nature of virtual worlds creates a much more engaging

platform for this type of activity than a website and has the added benefit of placing customers in a managed environment, close to Saxo representatives.

Stephan Martinussen, the bank's co-head of sales trading said:

"We're launching phase one of what we want to be, which is an entertainment component. Phase two is the Saxo VirtualTrader ... if you have an account with us, you can log in through your avatar. Phase three could be enabling Second Life residents but also non-Second Life residents to speculate in high-frequency trading of the Linden dollar against other currencies,"

Hot property - Coldwell Banker

One of the fundamental factors in Second Life is land ownership. Land is required by anyone who wants to build or create something and drives a very high proportional of the economic transactions that take place. It's a common misconception that there's an infinite amount of real estate in Second Life (because it's a virtual environment) but this is not the case and on this basis, the price of land increases on a daily basis.

American company Coldwell Banker, one of the largest real-estate brokerage firms in the country identified this development and spotted an opportunity to bring real-world management into the sometimes chaotic world of virtual land ownership and in doing so offer a genuine and



valuable service to the residents of Second Life. Coldwell Banker launched into Second Life by purchasing major tranches of virtual land (1/2 million square metres) and then sub-divided it, offering it to residents to either buy or rent.

Importantly, they company offers this land at below market rates to enable more residents to own or rent land and become more involved with Second Life. Charlie Young, the company's senior vice president for marketing was quoted as saying:

"In the end this is about buying and selling homes in the real world. We're trying to figure out how to reach what we call the 'new consumer'. We didn't want to make a play in Second Life just as a pure advertiser. A small number of land barons mostly control real estate in Second Life and we thought we could bring real estate to the masses."

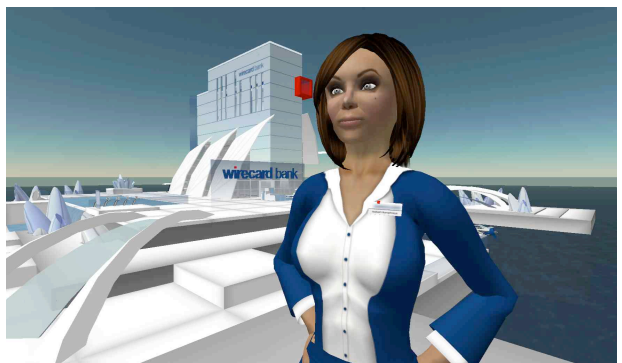
In the process, Coldwell Banker has successfully positioned its brand favourably into affluent target markets - consumers not only in their home market of the US but globally.



In addition to this strategy, Coldwell Banker also hosts regular in-world seminars on real-world property ownership issues and as also started marketing overseas properties inside Second Life. Inside the virtual office itself are real-world home calculators, streaming videos and on-call company representatives.

Virtual payments - Wirecard

E-commerce payment company Wirecard is one of the most recent financial service companies to enter Second Life.



Integrated into the marketing of their service, the company has an island in Second Life which explains the product offerings.

In terms of functionality, Wirecard shortly plan to enable virtual ATMs on their island and around Second Life to allow residents to manage their accounts and make payments.



As this company has no real-world branches and operates solely on the Internet, their virtual presence in Second Life is in a way the closest their customers can get to the company and the brand - an interesting concept for pure-play organisations.

Hot off the press - First Meta

Going a stage further than Wirecards' virtual branches, Singapore-based start-up company First Meta announced their intention at the end of May 2007 to launch credit card and corporate finance services exclusively into Second Life.

Credit cards will be offered to residents and virtual businesses will have a range of commercial banking services made available to them.



Whilst the idea has merit, based on the economic nature of Second Life and the profile of residents, it remains to be seen if a company existing purely on a virtual basis can attract interest (and ultimately profitable business) from Second Life residents.

In summary

Second Life is not a golden bullet to solve all the marketing challenges facing marketers. Instead, it is an emerging, exciting platform facilitating engaging interactive brand communications and customer experiences.

Brands who are already in or about to enter are doing so to discover new ways of communicating and experimenting with how best to deploy their brands - whilst enjoying significant coverage whilst doing so.

K Zero is a full-service Second Life marketing agency. For further information visit kzero.co.uk or email Nic Mitham: nic@kzero.co.uk