

Japanese businesses setting up virtual shop in Second Life

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For a year, blue-chip corporations in the West have been setting up shop on Second Life, the online, 3-D alternate reality that is redefining Internet communication.

Now, Japanese businesses are quickly getting in on the act.

In Second Life, created by San Francisco-based Web company Linden Lab in 2003, computer users who have downloaded an interactive "client" program are able to create android-like characters called "avatars" and remotely guide their activities within Second Life.

Skin color, length of hair, even whether an avatar bears the head of a human or that of a rabbit — all of these are decided at the touch of a button. Avatars can walk, run and even jump from place to place around Second Life, which comprises 871 virtual sq. km spread over such geographical features as mountains, forests and city streets, plus an archipelago of user-created islands. The company claims Second Life has drawn some 10.2 million "residents" worldwide. Some 500,000 users are said to log on at least once a month for an hour or more at a time.

And where there are crowds, even virtual ones, there are markets. Concerned that traditional advertising is losing its effectiveness as a marketing tool, real-world businesses in the U.S. have set up operations in Second Life in a bid to exploit the brave new world of virtual interaction. The newfangled enterprises include retail outlets, a news agency covering goings-on in Second Life and advertising agencies helping clients build a corporate presence there.

Now Japanese companies, too, are staking their own claims, among them Nissan, the Mitsukoshi department store and telecom giant Softbank. That has helped attract many

Japanese to Second Life and enthusiasts logging on from Hokkaido to Okinawa now account for about 7 percent of all active users, giving Japan the third-largest representation in Second Life after the U.S. and Brazil last month.

Analysts say the potential advantages from virtual marketing are significant, and that both businesses and their customers benefit.

Second Life residents who visit Mitsukoshi's virtual shop can walk away wearing happi coats free of charge, while at Nissan's shop they can give a new car a test drive — things until now impossible on even the snazziest corporate Web site.

And the future, say analysts, holds far greater potential.

Atsushi Kametsu, an information technology analyst at Nomura Research Institute in Tokyo, predicts that manufacturers will one day make Second Life a main venue for building ties with consumers.

For example, he said, electronics makers will be able to set up virtual service counters where residents can "bring" a 3-D likeness of, say, a broken camera. Virtual staff will demonstrate how to fix simple glitches.

Though such services will have obvious limitations — no virtual technician could fix a real-world crack in a real-world lens — they offer companies promising opportunities nonetheless. Second Life already enables users to bow and smile, and such gestures will help virtual staff develop relations with consumers who live in remote regions or who are home-bound.

And such access will come at a low cost.

"It does not require a huge investment on their part," analyst Kametsu said.

To make real-world money in Second Life requires the use of Linden dollars, available at the online exchange market LindeX. There is already a bustling market for virtual merchandise, software services and not-so-real Second Life real estate. More than \$1 million is spent a day, according to the Web site.

Until now, Japanese businesses have shied away from

engaging in real-cash exchanges inside Second Life, on concerns over how accountants would book profits or losses. Almost no companies use Linden dollars.

Rather, the Japanese businesses have focused on figuring out how to effectively exploit Second Life to get their corporate message across. The solution, alas, has not been readily forthcoming.

Companies have conventionally used advertisement in the form of banner ads and text messages to produce revenue on online social networks, but greater marketing sophistication is needed in an environment as visually rich as Second Life, experts said.

"Users have described being bored if flashy advertisements are all that are on offer," Kametsu said.

Instead, the answer may be Virtual Tokyo, an 85-hectare virtual city in Second Life founded in late August by premier ad agency Dentsu Inc. Dentsu says it paid Linden Lab approximately ¥10 million to acquire the property and hopes its investment will be recouped if 30 or so companies and organizations can be persuaded to sign on as rent payers over the next 12 months.

A work in progress, Virtual Tokyo so far houses online representations of such entities as Keio University, the TBS television network, Mizuho Bank, as well as a takeoff ramp for ski jumping and a sports stadium.

It was at this very stadium that from late August to early September Virtual Tokyo offered an athletic competition, one day before the real-world athletics championships were held in Osaka. Thousands of events, including a 100 meter race and shot putting, were held and some 2,000 avatars competed. Flesh-and-blood users controlled their digital alter egos by tapping on keyboards to make their athletes' legs run.

Dentsu hopes that by means of such events, Virtual Tokyo will be able to convince at least 3 million users to visit over the next year. It is an ambitious goal, given that the number would represent about a third of total global users until now.

To be sure, Ken Aihara, who leads Dentsu's Virtual Tokyo project, said Second Life probably won't take off among Japanese users until it becomes accessible from mobile

phones, which though they cannot compete with desktop computers in terms of graphics are more widely used by young people here. Aihara said: "Give it two to four years before it is widely accessed."

Differences in how Japanese go about using the Internet, too, may keep many users here from stepping foot into the Second Life universe, insiders said.

Nomura's Kametsu said American users welcome the ability to create something from nothing in Second Life — an attitude reflected also in the U.S. popularity of Wikipedia, the collaborative online encyclopedia whose contents can be posted and edited by anyone with a Web connection.

"Americans have traditionally embraced a pioneering spirit, so Second Life satisfies their yearning to explore the next frontier," Kametsu said. Japanese, he suggested, seek the security of preordained structure. "Japanese tend to pursue consensus in decision-making and are worried about taking action if there are no rules" — a key obstacle to active participation in the topsy-turvy world of Second Life.

Dentsu's Aihara agrees.

"Americans see the Internet as offering great possibility, something futuristic, while many Japanese tend to focus on negative aspects," such as online fraud and identity theft, he said. He added that though Japanese constantly fall in love with new technology, they often do so after it has been commercialized and, preferably, manufactured into something tangible.

Ironically, homegrown technological creativity may present the biggest challenge to Second Life in Japan.

Analysts foresee competition from domestic rivals, including Sony Corp.'s Home, a virtual world designed for video-game console PlayStation 3 that is slated for release by spring, as well as several other Japanese platforms.

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