Assessing the value of real-life brands in Virtual Worlds

Stuart J. Barnes a, Jan Mattsson b,c,1, Nicole Hartley d,*

a Kent Business School, University of Kent, Medway Building, Chatham Maritime, Kent ME4 4AG, United Kingdom
b Department of Communication, Business and Information Technologies, Roskilde University, P.O. Box 260, DK-4000 Roskilde, Denmark
c School of Business, Edith Cowan University, 270 Joondalup Drive, Joondalup WA 6027, Australia
d UQ Business School, The University of Queensland, St Lucia, Brisbane, QLD 4072, Australia

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A B S T R A C T
Virtual Worlds are a significant new market environment for brand-building through experiential customer service interactions. Using value theory, this paper aims to assess the experiential brand value of real-life brands that have moved to the Virtual World of Second Life. A key premise is that current brand offerings in Virtual Worlds do not offer consumers adequate experiential value. The results demonstrate both the validity of an axiological approach to examining brand value, and highlight significant problems in consumer perceptions of the experiential value of brands within the Virtual World. A key finding is the difficulty in creating emotional brand value in Second Life which has serious implications for the sustainability of current real-life brands in Virtual Worlds. The paper rounds off with conclusions and implications for future research and practice in this very new area.

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1. Introduction

In our changing market environment, an increasing number of organizations are embracing technology-based service designs as a mechanism for enhancing customers’ brand experiences (Vilnai-Yavetz and Rafaeli, 2006; Voss et al., 2008; Zomerdijk and Voss, 2010). Virtual Worlds are one such technology-based servicescape that offers consumers a unique experiential experience (Vilnai-Yavetz and Rafaeli, 2006). These three-dimensional, computer-generated Virtual Worlds are emerging as a potentially important platform for businesses to communicate with current and prospective customers, and many companies have invested in building a presence in this virtual environment (Barnes and Mattsson, 2008).

Virtual Worlds are currently recognized as service platforms for organizations as they offer users (consumers) the opportunity to experientially interact with brands within the environment (Barnes and Mattsson, 2011; Cho and Menor, 2010; Ostrom et al., 2010). Through avatars, members of a Virtual World can engage in rich ‘experiences’ via a variety of interactions with other users, the simulated environment and branded products and services (Messinger et al., 2009). It is this level of connectivity between consumers and organizations within Virtual Worlds that offers brands heightened opportunities to experientially engage their consumers through communication, collaboration and cooperation (Fetscherin et al., 2008). This enhanced connectivity in Virtual Worlds fundamentally changes the way organizations can create and sustain brand value for their customers. Hence, while we can acknowledge that brand promises equate to rich experiences that customers can expect from the interactions that shape brand experiences with a brand (Argenti and Druckenmiller, 2004), little research has explored the dimensions of brand value in Virtual Worlds. That is, how well are brands able to engage with consumers at the sensory, cognitive, emotional and behavioral levels in these virtual platforms?

This research seeks to extend the current field of inquiry which has focused upon understanding how aspects of branding, in technology-based platforms, impacts consumer reactions.
(Rust and Kannan, 2002; Iqbal et al., 2003; Santos, 2003; Cao and Zhao, 2004; Mummalaneni, 2005). In moving toward enhanced understanding, we adopt a brand perspective aimed to evaluate the value of brand experiences within this context. In doing so, we define Virtual Worlds as three-dimensional, computer-generated environments that incorporate aspects similar to our ‘real world’ (Barnes and Mattsson, 2008). In this vein Virtual Worlds are viewed as interactive platforms or “experience worlds” which allow the user (customer) the freedom of choice within the environment. The choice to engage in experiences such as, social networking, buying and selling of digital content, education, and entertainment, all of which can be defined as ‘virtual brand experiences’. We postulate that brand experiences in Virtual Worlds, which involve both, internal consumer responses (feelings and cognitions), and behavioral responses evoked by brand-related stimuli (Bracus et al., 2009) are laden with challenges which are inherently different to those in a real-life brand setting.

Specifically this study aims to investigate how customers perceive experiential brand value of real-life brands that have established a presence in the Virtual World of Second Life.

The research objective is to examine whether brand experiences in Virtual Worlds are able to create experiential value for consumers and to do so using Hartman’s (1967) axiological theory which has been validated within both the marketing and management literature (Mattsson, 1992; Lemmink and Mattsson, 1996; de Ruyter et al., 1997; Danaher and Mattsson, 1994; Mattsson and Wetzels, 2006). Within Hartman’s (1967) axiological theory, value is construed as a multi-dimensional construct which measures logical, practical and emotional ways of perceiving reality. As such, this study extends the understanding of sustaining a brand in a virtual environment by investigating brand value perceptions. The structure of the paper is as follows. The following section explores customer experiences in Virtual Worlds as well as the presence and value of brand experiences in Virtual Worlds. This is followed by a section which highlights the hypotheses that this study specifically addresses. The ensuing section summarizes the research method, after which follows the research findings. The article then concludes with a discussion, conclusions, limitations, and implications for research and practice in this very new area of investigation.

2. Literature review

2.1. Virtual Worlds

Mitham (2010) estimates that consumer Virtual Worlds will produce US$7.29 billion in revenues in 2013. KZero (2012a) purported that the combined population of registered accounts for Virtual Worlds in quarter four of 2012 was in excess of 2.1 billion, around one-fifth of which were active users; currently there are more than 500 Virtual Worlds, aimed at either varying consumer segments (e.g., Disney Fairies, NFL Rush, McWorld, Virtual MTV, Buildabearville, and Hello Kitty Online), or to more collective markets (e.g., Second Life, Multiverse, Active Worlds, There, and Kaneva).

Virtual Worlds can be broadly categorized as either, game-orientated or social-orientated, with the two key delineating factors being recognized as, user roles and the set of prescribed constraints applied within the environment. For example, ‘in social-orientated Virtual Worlds such as Second Life, no levels, scores, nor an ‘end’ or ‘game over’ exist.’ (KZero, 2012a p. 192). Social-orientated Virtual Worlds tend toward mimicry of real life experience, and as such, they have become home to a global marketplace of brands. Researchers have adopted various typologies to assist in classifying the diverse range of Virtual Worlds (Barnes and Mattsson, 2011; Messinger et al., 2009; Porter, 2004). Table 1 offers an overview of a cross-section of the largest Virtual Worlds currently in the market, specifically focusing on those that have a population of over 30 million registered users. Second Life is one of the three largest self-determined or open-objective Virtual Worlds, and these worlds tend to augment the users real life, with their online social and business lives (Messinger et al., 2009). They are open to various population segments and tend to operate using their own tradable currency (for example, the use of Linden Dollars in Second Life).

The socially-orientated Virtual World, Second Life has been chosen for this study as it is arguably the best known and one of the broadest Virtual World service platforms (Messinger et al., 2009). It has grown rapidly from 2 million registered accounts in January 2006 to approximately 33.5 million accounts in quarter one of 2013, with approximately 12,000 new users signing up each week (Dwell On It, 2013), and revenue of US $100 million (Mitchell, 2011). Users (consumers) of Second Life not only engage in entertainment, work, play and social interactions, but also purchase clothing, furniture, real-estate, boats, cars, and a wide range of other virtual products. The enhanced sophistication of social-orientated Virtual Worlds such as Second Life incorporate features such as, an in-world currency, avatars, ownership permissions, communication vehicles and social networking tools that provide commercial opportunities for brand interactions. At its peak, a plethora of brands adopted a presence in Second Life offering virtual customers a variety of brand experiences; Second Life, attracted well over 100 real-life brands (KZero, 2012b) in sectors such as auto (i.e. Nissan, Toyota, Honda), media (i.e. Wired Magazine, MTV, Sky News), travel (i.e. STA Travel, Starwood Hotels), consumer electronics (i.e. Dell Computers, Microsoft), consumer goods (i.e. L’Oreal, Sony-Ericsson), luxury goods (i.e. Hublot, Armani, Mercedes-Benz), telecommunications (i.e. Vodafone, Telstra), finance (i.e. ING, AMRO Bank), and professional services (i.e. PA Consulting, H&R Block, IBM) (Messinger et al., 2009; Wikipedia, 2013; New Business Horizons, 2009). Indeed, Second Life has experienced the greatest number and variety of real-life brands of any Virtual World, which encourages its selection as the virtual platform for this study.

2.2. Brand experiences in Virtual Worlds

Virtual Worlds appear to provide an extraordinarily diverse range of possible experiential opportunities that can be identified as brand experiences (Kleeberger, 2002; Vedrashko, 2006). In acknowledging the premise that within Virtual Worlds such as Second Life brand encounters can be construed as vehicles of brand experiences, then sites and virtual locations are therefore referred to as a brands’ experiential capacity.

Establishing a brand in the Virtual World can provide a number of benefits for a business including, enhanced brand experience through engagement with the Virtual World community. However, to the present time, real-life brands
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