

CASCON^[2008]



MEETING of MINDS

Profit Models for Emerging On-line Services: General Considerations and Virtual Worlds

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A Typology of Virtual Worlds

(JVWR, Messenger, Stroulia and Lyons)

	Purpose	Place	Platform	Population	Profit Model
<i>Games</i>					
Chess	Strategic Objective	Collocated	Board Game	Two Player	Fixed Fee
Monopoly	Thematic Objective	Collocated	Board Game	2 – 6 Players	Fixed Fee
FPS - Console	Tactical Objective	Collocated	Console Systems	1 – 4 Players	Fixed Fee + Extras
FPS - LAN	Tactical Objective	Collocated	LANs	1 – 1,000+ Players	Fixed Fee + Extras
Internet Scrabble	Strategic Objective	Dispersed	Synchronous	2 – 6 Players	Variable Fee
The Sims Online	Thematic Objective	Dispersed	Synchronous	Mass Market	Free + Extras
World of Warcraft	Tactical/Thematic Objective	Dispersed	Synchronous	Mass Market	Fixed Fee + Subs + Extras + Ads
<i>Online Social Networking Sites</i>					
LinkedIn	Themed Network	Dispersed	Asynchronous	Businesspeople	Free+Ads+Extras
Hisholyspace.com	Themed Network	Dispersed	Asynchronous	Religiously Affil.	Free+Ads+Extras
Dogster, Catster	Themed Network	Dispersed	Asynchronous	Children	Free+Ads+Extras
Flixter	Themed Network	Dispersed	Asynchronous	Interest Group	Free+Ads+Extras
YouTube	Themed Network	Dispersed	Asynchronous	Interested in Video	Free+Ads+Extras
MySpace	Open Network	Dispersed	Asynchronous	Young Adults – Creative	Free+Ads+Extras
Facebook	Open Network	Dispersed	Asynchronous	Young Adults	Free+Ads+Extras
<i>Virtual Worlds</i>					
ActiveWorlds	Education	Dispersed	Synchronous	Mass Market	Subs+Extras+Ads
Forterra Systems	Education	Dispersed	Synchronous	Mass Market	Subs+Extras+Ads
HiPiHi	Open	Dispersed	Synchronous	Chinese	Subs+Extras+Ads
Sony PlaySt. Home	Teen Play	Hybrid	Synchronous	Plays & Owners	Subs+Extras+Ads
Vside	Media Sharing	Dispersed	Synchronous	Young People	Subs+Extras+Ads
Webkinz	Child's Play	Hybrid	Synchronous	Children	Ancillaries +Extras
Second Life	Open	Dispersed	Synchronous	Mass Market	Subs+Extras+Ads

Main Profit Models

- **Fixed Fees (Installation fee, retail price, registration fee, upfront fees, setup fees, etc.)**
Subscriptions
 - **Variable fees (fees for Services)**
 - **Pay-as-you-go extras**
 - **Advertising**
 - **Ancillaries**
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Profit Models: Second Life

- **Fixed Fees: Free Basic Service Builds Community**
 - **Subscriptions: Memberships**
 - **Variable fees: None.**
 - **Pay-as-you-go extras: Land Ownership.**
 - **Advertising: Billboards, Kiosks, etc.**
 - **Ancillaries: Web-Based Community**

 - **Taxes an In-world Economy**
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In World Business Owners

Unique Users with Positive Monthly Linden Dollar Flow (PMLF)

	September	October	November	December	January	February
USD Equivalent PMLF	2006	2006	2006	2006	2007	2007
< \$10	5,180	6,285	7,098	9,000	11,396	13,490
\$10 to \$50	2,770	3,402	3,592	4,535	5,671	6,625
\$50 to \$100	760	866	1,010	1,239	1,489	1,690
\$100 to \$200	566	692	797	921	1,119	1,289
\$200 to \$500	524	563	671	823	1,018	1,165
\$500 to \$1000	228	263	289	350	386	496
\$1000 to \$2000	125	160	179	229	263	283
\$2000 to \$5000	77	92	94	140	188	211
> \$5000	37	41	58	90	97	116
Total Unique Users with PMLF	10,267	12,364	13,788	17,327	21,627	25,365

Monthly Spending by Amount (2007 February)

Transaction Size	Residents
1 - 500 L\$	113,396
501 - 2,000 L\$	32,995
2,001 - 5,000 L\$	23,567
5,001 - 10,000 L\$	16,842
10,001 - 50,000 L\$	29,834
50,001 - 100,000 L\$	6,249
100,001 - 500,000 L\$	5,475
500,001 - 1,000,000 L\$	649
Over 1,000,000 L\$	571
Total Customers Spending Mode In-World	229,578

Resident Transactions by Amount (2007 February)

Transaction Size	Volume
1L\$	1,709,467
2 - 19 L\$	3,500,533
20 - 49 L\$	1,089,090
50 - 199 L\$	1,426,485
200 - 499 L\$	622,635
500 - 999 L\$	266,731
1000 - 4999 L\$	297,264
5000 - 19999 L\$	69,425
20000 - 99999 L\$	14,293
100000 - 499999 L\$	1,822
>= 500000 L\$	149
Total Transaction Count	8,997,894

Profit Models: Webkinz

- **Fixed Fees: 1 Year Basic Service with Plush Toy**
 - **Pay-as-you-go extras: Virtual clothing and accessories**
 - **Ancillaries: Sale of stuffed animals and real accessories**
 - **Variable fees, Advertising, Subscriptions less prominent**
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Electronic Arts

- Use a business model based solely on advertising and pay-as-you-go extras for their new game *Battlefield Heroes*.
- “As an organization we felt that this was something that would have mass appeal Traditionally, you buy a game in a store and you put it in your gaming system or computer and you pay \$50 or \$60 for the game. This [Battlefield Heroes] is a downloadable, entirely free product based on the Battlefield franchise.” Tammy Schachter, Electronic Arts Spokeswoman
- **Supported by**
 - advertising that will appear onscreen between game levels and in on-line forums related to the game,
 - a small fee (between \$2-\$5) for upgrades in weapons and armour.
- **FIFA Soccer game given for free in Korea beginning in 2006**
 - more than five million players
 - more than \$1 million US monthly in sales of ads and extras, including virtual cleats and jerseys that players can purchase for their in-game characters.

Consumers Prefer Ads to Fees

- **A survey in which 90% of 1,500 gamers indicated they would be willing to watch advertisements before or after playing a game, or during breaks in play, if they could play the game for free. [Survey by RealNetworks which operates popular on-line gaming website RealGames.]**
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Considerations

- **1. Revenue-related considerations**
 - Need to aid in consumer learning of the platform
 - timing of value creation (instant or flow)
 - possibility of co-creation (for fun or for wealth)
 - whether network is valued (value-added activities, and possibility of appropriating value)
 - **2. Operational costs considerations**
 - operational cost structure (one time or continuous)
 - the monitoring cost
 - **3. Other considerations**
 - perceptions of fairness
 - Type of users: business, consumers, government
 - competition
 - user involvement (low/high)
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