

GIO Podcast Series: An Innovation Conversation about Virtual Worlds

Transcript Title: Virtual Worlds: C'mon In, We're Open For Business.

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Summary: Ginsu (Gene) Yoon, who is the Vice President of Business Affairs at Linden Lab, the creator of Second Life, talks about virtual worlds and their potential for the future.

Host: Amy Hermes, Global Innovation Outlook, IBM



HAMMAN: Hello and welcome to the Global Innovation Outlook Podcast Series where IBM demonstrates the value of collaboration.

My name is Verna Grayce Hamman, and today I'll be speaking with Gene Yoon who is the Vice President of Business Affairs at Linden Lab. Linden Lab is the creator of the Second Life virtual world. Welcome Gene, and thank you for being with us today.

YOON: Thanks, Verna, thanks for having me.

HAMMAN: So, you recently attended a Global Innovation Deep Dive in Los Angeles in May where you joined a small group of global thought leaders from various backgrounds to discuss the changing nature of innovation as it relates to media and content. And I'd like for us to discuss the emerging and innovative impact of virtual worlds in new media.

But before we jump in, could you briefly describe for the benefit of our listeners who aren't familiar with Second Life, what it is and how users interact in this new media platform?

GIO Podcast Series: An Innovation Conversation about Virtual Worlds

YOON: Sure. Second Life is basically an online computer service. It simulates a 3D virtual world. It's a graphical environment where you can move around using what's called an avatar that represents yourself in this virtual world; the avatar is like your character.

And this environment is distinguished, at least from our point of view, from being entirely user created. What we at Linden Lab do is try to create the server infrastructure and tools that allow people to make whatever they want in the virtual world.

It's been in existence now for four years. Grown from our initial installation of I believe four servers to today is 10,000 or so CPU cores with over seven million registered users.

HAMMAN: So I'd like to explore with you how the concept of experiencing a product or brand or even a service is evolving with the blending of this virtual and physical, as well as the emergence of real time access and reactions to content. What do you see is the role of virtual worlds in these new experience modes?

YOON: Well, I think it depends on the virtual world service. Even in our service it depends quite a lot on the content or media company or product company that's behind the experience. And of course, the creator of the

experience within the virtual world.

Since we ourselves don't create any content, I answer that question maybe in the same way that you might: it's just sort of sitting back and watching things happen on our platform.

And it reminds me a little bit of the early innovation we saw in Web sites in, say, the mid 1990s or so where companies were using Web sites to market their services to consumers.

Most people didn't know what they were doing. You saw a lot of people making Web sites that were essentially just reproductions of corporate brochures. It took them a while to learn about the interactive nature of the Internet.

So today sometimes you see people building experiences which are essentially passive experiences. It's just kind of large fancy, 3D, virtual builds that look nice but they don't really engage with the end users.

I think the better ones take advantage of what we have here as a platform for user created content. It gives people the ability not just to interact with the 3D content, but also to create their own things, to form their own communities around the virtual build. And I think those are the ones that have more prospects for long-term success.

HAMMAN: So looking at the media content space, as many traditional media players are seeing some of their core content businesses being eroded by the ubiquitous broadband and other technologies.

Is there a path for collaboration with new media platforms like virtual worlds for these companies to open up new areas for monetizing their content? In your view is there an optimal future of collaboration between these types of players?

YOON: I don't know that I can pick one optimal business model. There's a couple of things I'd say about the topic generally. One is that people when they see the various media industries evolving, they're always proclaiming the death of something. The death of the prior form of popular media.

And I always find that kind of statement a little over blown. Certainly we live in a world today where we've got oral tradition, we've got books, we've got plays, we've got movies, radio, TV, magazines, Internet... the whole boat. All of these things still exist, none of them died through the evolution of all sorts of different media.

Now, of course, what has changed quite a lot is the business model and market sizes in these areas although I'd also

GIO Podcast Series: An Innovation Conversation about Virtual Worlds

point out that over the long period of time, market size in the absolute grows, it's just for all of those sectors, it's just that the growth rate and the piece of the pie might change.

So in the virtual world interestingly enough, there's actually new opportunities for some of the older business models. Which is to say, when you talk about movies or TV being disintermediated by what's going on with TiVo and digital downloads, the experience of going to a movie theater and paying to see a movie or even a pay-per-view model for TV, well, that's something that's regarded as a dinosaur business model now. But in a new platform like a virtual world, people actually are quite willing to pay a little bit of something to go into a virtual movie theater or pay for a screening of content.

So it's actually possible that you see some old business models return on new platforms. The thing that I would say about the things that are new, at least from our perspective where we have so much emphasis on user created content is, there's a great opportunity to take old media and turn it into new media by allowing the participation of the users, of the consumers of content.

This is something that traditional media companies are struggling with mightily these days. Some people do not really know how to shift from a production mentality where

GIO Podcast Series: An Innovation Conversation about Virtual Worlds

you're controlling the content that users see to one where you let them participate and remix the content.

But I think this stuff will work itself out over time and the creativity of users will win out. It's all good fun and there's lots of different ways to make money in it.

HAMMAN: Just as a final question as we look ahead at the expectations of the emerging generation of consumers who really have been conditioned through video games, social networking and now virtual worlds, how do you see shifting in their expectations around consumption and interaction with content?

YOON: Well, I would say as time goes on it gets harder and harder to put the genie back in the bottle. There's a lot of people including myself who comment on kids these days as if we really know anything about kids these days. It's an ongoing mystery to all of us once we pass a certain point in our lives I think.

But kids these days, you can't take things away from them in terms of their expectation of the kind of ability that they'd like to have to control their own experience.

You're not going to be able to force them to watch passive advertising. You're not going to be successful in the long run if you don't let them express their own creativity,

GIO Podcast Series: An Innovation Conversation about Virtual Worlds

their constant communication with each other, the way that they will just sort of call out any kind of falseness, any kind of lack of authenticity in the way that you present your product and your service.

So that's a significant change in dealing with this new generation of consumers for some of the more traditional broadcast industries. It's something that we're going to have to deal with and rather than try to build a product or service that puts that genie back in the bottle, we've got to find a way to allow that creativity to benefit all of us.

HAMMAN: Gene, thank you so much for your time today and sharing your thoughts with our listeners.

YOON: No problem. It's always a pleasure.

HAMMAN: For more information about the Global Innovation Outlook please visit www.ibm.com/gio.

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