Linden Lab: Crossing the Chasm

Submitted by:

Group 3

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1. What are Second Life’s challenges? What strategic options are available to them in 2009?

Second Life’s Challenges:

- When Second life was launched in 2003, there was skepticism about demand for a user-generated virtual world as it was not a traditional game.
- Growth had strained Linden Lab’s technical infrastructure.
- New users found it difficult to master tools that controlled avatar movement, communication and content creation.
- Second life has trouble with antisocial behavior and fraud. It had problems with disruptive and illicit activity by residents. Fraud was a natural consequence of the Linden dollar’s convertibility. It also occurred when vendor sold objects that failed to work as promised.
- It was unclear if Second life preferred targeting mass-market consumers although they attracted a large, loyal base of early adopters.
- About 90% of new users abandoned their second life avatars after only a brief trial.
- Rate of new user registration had slowed down during 2008 to about half the level achieved during 2007.
- They faced problems with software stability and usability and to maintain norms of civility among Residents.
- Second Life was prone to crashes and lags. Most crashes occurred when users ran client software on older PCs with limited processing power. With lags, avatars and objects responded slowly or erratically to user’s commands. Lags occurred when a region hosted too many avatars, straining the server’s processor.
- Second Life competed indirectly with MMOGs and faced more direct rivalry from several nongame 3-D virtual worlds that also emphasized socializing and self-expression including There.com, Active Worlds, Kaneva, China’s HiPiHi and Sony PlayStation Home.
- A more fundamental challenge in accelerating Second Life’s growth was increasing its appeal for mainstream users.
- They also faced a resource allocation problem. Should they focus all resources on fixing the core technology and live with one year delay before you roll out new solutions for users? Should they slow the pace of core platform improvements so you can work simultaneously on new solutions? Should they hire more engineers?

Strategy options:

1) To follow a laissez faire path, providing generic tools to anyone who wanted to build experiences in Second Life
2) To follow more activist approach by selectively supporting ecosystem partners who would develop superior/potent solutions for user’s needs
3) To develop such solutions themselves
4) To decide which of these several segments to pursue – adult consumers, teens, enterprise consumers, educators etc
5) To decide how and where to invest

To encourage real life corporate organisations in order to keep presence in Second Life. This could be done by developing additional tools to facilitate activities like recruitment, training and workgroup collaboration. In addition, to encourage universities, non-profit organisations
2. **What route would you recommend for Linden Labs management, and why?**

Intrigued by the article five members of our team tried to find out what Second Life is; but none of us could even install it! This is what stops an aspiring normal user from getting a Second Life. Thus the most fundamental challenge in accelerating the growth of Second Life which is still in startup phase is increasing its appeal for mainstream users. Linden Lab will have to use a three pronged approach to achieve this:

**Platform Strategy:** The platform strategy through an activist approach with ecosystem partners will help Second Life through by:

- Improving connectivity: others can easily plug into the platform to share and transact
- Increasing the pull: how well the platform is able to attract participants
- Improving the flow: the platform should foster the exchange and co-creation of value

**Identifying the target market:** ‘Be everything to somebody’ initially then expand. So initially the target segment can be set as consumers over the age of 18.

**Crossing the chasm from 'Early Adopters' to 'Early Majority':** Linden Lab should adopt steps as indicated in answer to question 3 to move from a community of users who are tech-savvy to reach the mass audience.
3. **How will Second Life Cross the Chasm into the mainstream? Which segment could be a possible beachhead and why?**

The Chasm in the case defines the gap between Early adopters and Early majority, where the company is not able to convert the initial users into regular users.

**Targeting a niche segment**

Instead of targeting numerous customers, the company must target a particular niche segment who in turn will play a major influencing role within their interest group, thus diverging the use of the application to newer segments. This particular beachhead segment must be:

- Good networking (like bloggers, content writers etc.)
- Must be regular users of the application
- Can be content generators who become familiar with the application easily

**Linden Lab must target adults above the age of 18.**

**Develop a whole-product solution**

- Move from a product to a platform – Currently, users have to download and install a software to use Second Life. Their mission aims at connecting everyone in the world and to achieve that, Linden Labs should minimize the entry barriers for a new user. A lighter version of this virtual world could be released for mobiles and tablets.
- Improved UI – What stops new users from making a repeat visit to the Second Life world is the complexity of the virtual world. Make it easy enough for users to understand the navigation through the virtual world very easily.

**Intensive Marketing Campaign**

- Co-marketing virtual world second life with other software
- Market Second Life as an aspirational game where users get a sense of achievement by accomplishing tasks through avatars
- Advertise in events like Superbowl, Hackathons etc. targeting our niche segment
- Product placement showing the virtual interface to our target segment
- Interface demo to the target niche market customers who are influencers in their segment.
4. **Is platformization a viable route for Second Life? If so, how should they approach it?**

The managers of the company came up with three options:

1. They continue to follow laissez-faire path, operating as a utility and providing tools to anyone who wanted to build experiences in Second Life.
2. The company could take a more activist approach with ecosystem partners, selectively supporting firms who were well positioned to develop potent solutions for users’ needs.
3. Linden Lab could develop such solutions itself.

The proposed solution which we are suggesting is the an hybrid of second and third option i.e., Linden Lab should go ahead and make a deal with firms so that the system opens up and becomes more interesting. In the long term the company can have their own team for such solutions.

However, this needs to be done in phase mode.

**Phase 1:** This is the pilot phase in which the company should tie up with 10 firms and integrate their software for beta testing purposes. The intended users should be able to provide necessary feedback for this phase.

**Phase 2:** The company should move ahead with next phase in which, upon positive feedback and necessary changes, should go ahead with trusted partners and building a network of partners.

**Phase 3:** The company should open up for other partners but with a control system so as to monitor the software add-ons.

In our opinion, implementation of a platform strategy would be a viable option for Linden Lab.

- Focuses management on key decisions at the right time: By implementing a platform strategy, the game will evolve and adapt itself to user preferences. This will help the company identify the key areas that affect their customer base and focus on taking preventive actions.

- Enables rapid & consistent product development: Since the platform would have ecosystem partners that would adapt the game as per consumer insight, the product development would be rapid and continuous.

- Encourages a long-term view on product strategy: In order to achieve the target of 8 million concurrent users the company has to be open to new firms coming in and making customized add-ons for the game thereby increasing the usability of the game. It would also captivate the users and make it more interesting for the user.

- Dominant design position achievement: As of now, since Second Life enjoys a dominant position in the market place, they would have the capability to tie up with well-established partners to provide the best possible user experience and hence have a dominant position in the industry.

- Resource and channel synergies: Bringing in domain expertise from different selectively supporting firms who are well positioned to develop potent solutions for users’ needs would enhance the quality of the user application.
**Challenges:**

- If there are too many partners involved in the game, Linden Lab would lose the authority over the software.
- It would also be difficult for them to chalk out a long term strategy as it would be decided on the actions of the partners.
- The control over the content posted by partners might become an issue.
- Any error in the partners application would directly affect the image of the parent company.