

# Second Life

# & ReyAll



# Table of contents

- Introduction.....3
- Section 1: The Business Strategy.....4
- Section 2: Second Life.....10
- Section 3: IT strategy.....17
- Section 4: Conclusions.....27
- Bibliography.....31
- Appendix A: Commission Agents.....33
- Appendix B: How much is ReyAll expecting to earn? Analysis of the role of commission agents.....34
- Appendix C: Value creation for clients, pyramid of needs of clients.....35
- Appendix D: Process Analysis.....37
- Appendix E: Porter's five competitive forces applied to Barokes (qualitative analysis).....40
- Appendix F: Second Life Functionalities: Ideas from Top Web 2.0 Companies.....41

## Introduction

Under our hypotheses we are going to take the perspective of the Chief Information Officer (CIO) of ReyAll SA. Thus the first question he might pose himself might concern the company he works for, the market such companies is in, and the current business strategy the IT should support.

This introduction contains the main assumptions we made concerning the company we are asked to represent. In the next section we will present a simple business strategy that we took into consideration while defining the one involving Information Technologies (IT), which finds place in section 3. In our opinion the length of the first section reflects the trade-off between the need of some consistent bases for our further considerations and our main interest in the IT strategy.

### ReyAll the company as we imagine it

From the data we received from ReyAll we came to the conclusion it should be a commission agent, based in Geneva. Our assumptions concerning the role of commission agents are derived from the document we present in appendix A.

According to the powerpoint presentation we saw and the information of the companies that ReyAll represents, we deduced that it might be offering access to markets around Switzerland to companies with innovative products.

The lack of information on the net concerning ReyAll and the few amount of data we received lead us to believe it is a young company, which might be dealing with a limited budget in the first years, and that supposes it will experience a growth within 2-3yrs. Thus we do not expect ReyAll to currently own any warehouse to store products it sells; instead it might be simply redirecting interested consumers to the official supply chain.

### Definitions: client and end customers

In our hypotheses ReyAll is a commission agent, which could lead to a possible confusion between ReyAll's clients, who sells products, and ReyAll clients' clients, who buys products. Hence we decided to use the following definitions:

- **Client:** with this term we refer to ReyAll's clients that are companies, which produce product to be sold both in Switzerland, and in other European markets. Current clients are Barokes([www.wineinacan.com](http://www.wineinacan.com)) and Swedx ([www.swedx.com](http://www.swedx.com)), which have the common characteristics of selling innovative products, hence we decided to be more specific and take one of them as an example. Barokes is a company, which sells wine in a copyrighted can and whose strategic position analysis finds place in appendix E.
- **End Customer:** sometime referred also as "customer" is the one, who buys the products.

# Section 1: The Business Strategy

## Business Model for e-business

If one takes the McFarlan's strategic grid described by [Appelgate et al, 2007], pg. 37, IT currently seems to be more rather in the support quadrant at ReyAll. Thus before considering potential shifts towards other quadrants it would be reasonable to expect the IT strategy to be derived by the business one.

As we lacked of data concerning the business model of ReyAll, we decided to made our own hypotheses. What follows is a model taken from [Osterwalder & Pigneur, 2005], which would fit both a context of electronic business (e-business), as well as virtual business (v-business).

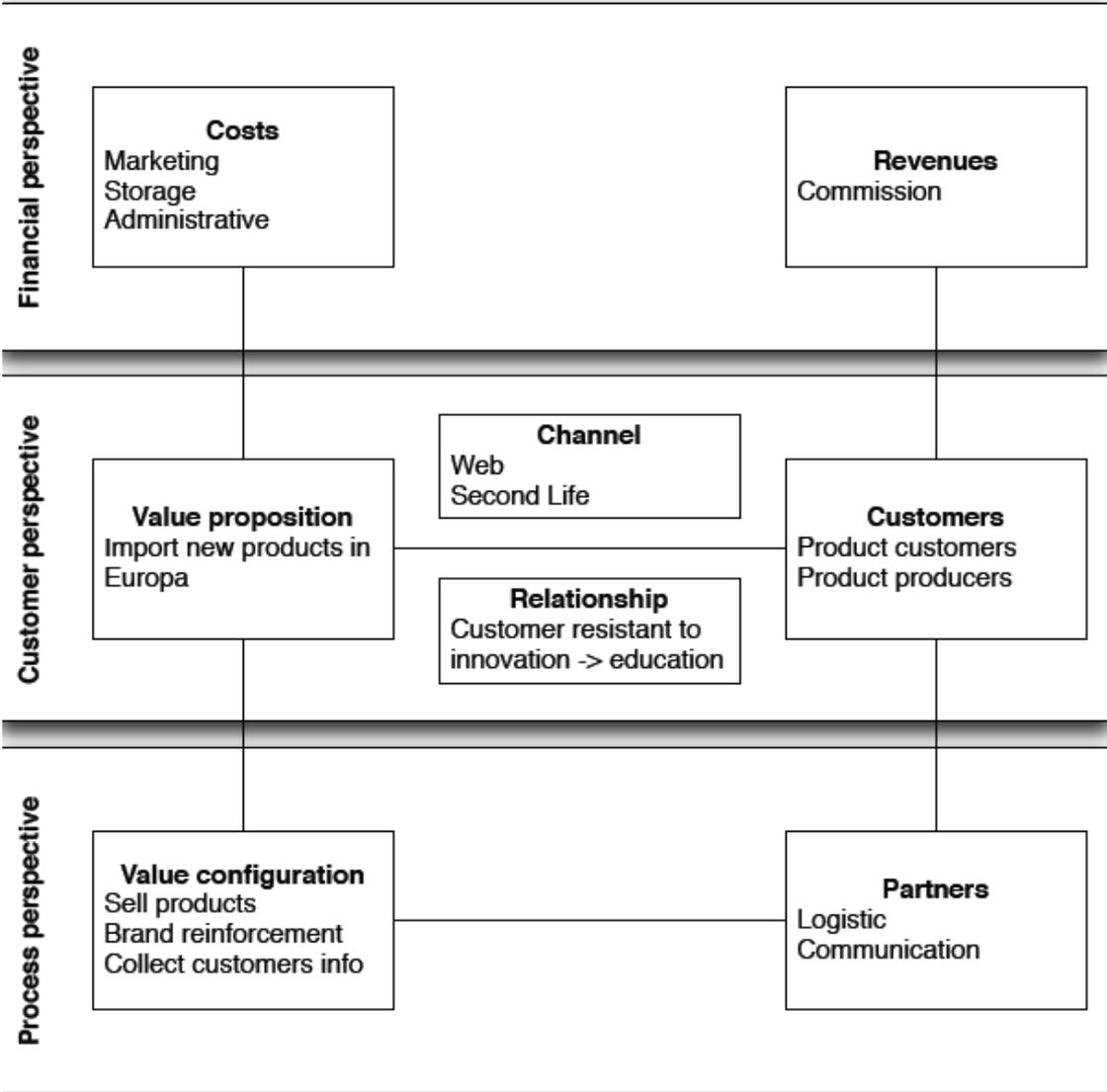


Illustration 1: Business model for e-business

## Balanced Scorecard for business strategy

Once we did the business model we went forward adding a fourth dimension in order to obtain a small draft for a balanced scorecard under its four mains components (Finance, Customer, Process and Growth) as suggested by [Kaplan & Norton, 1996], which we have taken as a reference to define the IT strategy.

In the following pages we will see in details the balanced scorecard applied to Barokes in Switzerland.

Finance Objectives	Initiatives
Make Barokes contract profitable	Promotion campaigns
	Outsourcing
	Operational efficiency

Client Objectives	Initiatives
Achieve user retention by enhancing user experience	Help Desk On-line Information sharing within the supply chain Customer relationship management
	Decrease PWC and do clients segmentation.
	Help desk process certification (CobIT or ITIL) Make a customers analysis reports every 6 month
	Tracks evangelists Give incentives/discounts to evangelists Advise new products to repetitive consumers

Process Objective	Initiatives
Reduce Process cost	Front-end processes improvement and automation. Introduce Key Performance Indicators
	Vertical integration Increase information share within the supply chain. Move products' stocks to the final supplier.
	Increase customer retention and evangelization Increase process quality Increase customer's experience Collect customer's feedback.

Growth Objectives	Initiatives
Introduce Barokes in Swiss/ Austrian market	Strategic alliances
	Agressive pricing
	Promotion campaigns

*Illustration 2: Balanced Scorecard with strategic initiatives.*

### Growth for Barokes

Objective	Target	Measure	Initiatives
Introduce Barokes in Swiss/Austrian market	Sell 40'000 wine cans in 2 yrs	Wine cans sold/yrs	Strategic alliances
			Agressive pricing
		Clients/European state	Promotion campaigns

As mentioned in the introduction one could see Barokes wine in a can as both a wine beverage and, in some way, a functional drink. According to Euromonitor International [Fuhrman, 2007] the Western European market for **functional drinks** has experienced a growth of 91.8% between 2001 and 2006, reaching \$6'800 millions in 2006, with France scoring \$44 millions(+79%), Germany \$958 millions(+53,4%) and England \$1800 millions (+83,4%). For what concerns **wines**, Euromonitor International cites the decline of France (\$30'000 millions; -2.2%) and Germany (\$13'000 millions;-10,7%), in contrast with England (\$20'800 millions;+33,7%).

As Barokes is already present in France and Germany, one might expect ReyAll to point at having the English market to be exploited, and to be tested by Barokes under smaller markets like Switzerland and Austria.

In **Switzerland** beside the wine producers, Barokes might have to compete soon with Coca Cola's/Nestlé Enviga, a beverage drink with green tea extracts, caffeine and calcium. The University of Lausanne has already done studies on it proving its positives effects on calories burning [Beverage Industry, 2007]. Its price is US\$1.29[Gizmag, 2007]. On the other hand **Austria** has been the first market where Carpe Diem has been tested in 1997 [Landi, 2006], getting advantage of the expertise of Red Bull and supported by the same advertising company: Kastner& Partners. Both countries have experienced a decrease of new products introduction in the last two years, which might be a signal of market saturation.

One could suppose that ReyAll does not have the right to enter the English market following the current deal with Barokes, which might not want to burn its opportunity to fully exploit it at the right time. Still it might be strategic for ReyAll to focus on **a deal with a company** which flies from Switzerland to UK, recalling that Barokes has already an agreement with TigerAirways as mentioned by [AsiaTravelTrips, 2006]. A list of flight companies that operate in Geneva [Flightmapping, 2007] shows more they are more than ten. One of them is EasyJet, which offers to those flying from Liverpool to Basel and booking a hotel through easyJet in Mulhouse, Saint-Louis or Colmar a complimentary bottle of Alsace wine [Cheapflight, 2007].



Finally ReyAll should not miss **the opportunity of Euro 2008** when a large number of foreigner are expected to come to both Switzerland and Austria.

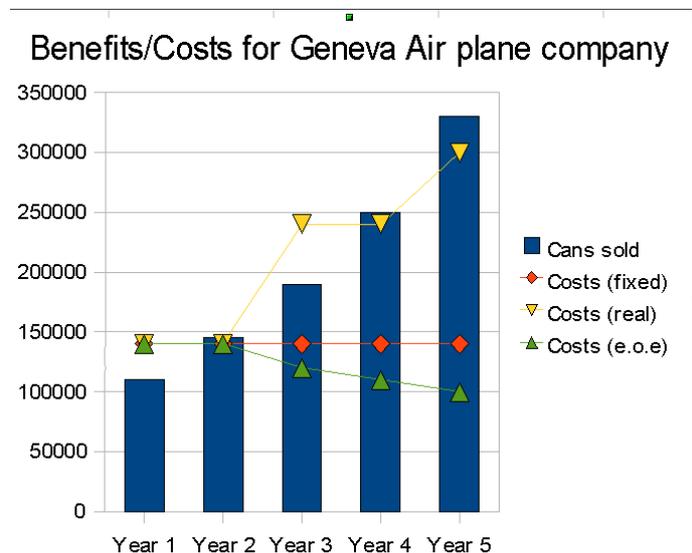
## Finance for Barokes.

Objective	Target	Measure	Initiatives
Make Barokes contract profitable	Positive balance within 2 <sup>nd</sup> year	Incomes from Barokes	Promotion campaigns
		Overall expenses	Outsourcing
			Operational efficiency

Appendix B shows some basic assumptions we made while taking a brief look at the possibilities linked to a deal between ReyAll and an airline company. The main consideration which we would like to present here concerns the **importance of product differentiation and cost leadership** in order to increase the chances of being chosen within other competitors and get a profit out of the deal. Even though the deal with an airline company might be profitable by itself, one could consider it as a **possibility to reach potential customers**, whose information might be considered as a valuable asset as well, if properly collected.

Once we do the assumption that a sufficient large amount of customers can be reached in the first two years, the key issue concerns **the way such customers can be retained** in order to start a long term relationships with satisfaction from both sides (sellers and buyers). That will be presented in the next page.

The last consideration that might be worth to do here involves the **budget**, which should be given to the IT as a support function. If one supposes an increase of 30% per year, in the first two years it would mean the wine cans sold in Switzerland would be enough to compensate the costs. Still one could suppose operating costs to increase once the selling volume gets too much to be handle by four employees. There it appears valuable the supporting role of Information Technologies (IT). Indeed thanks to IT the operational costs are expected to not be strictly linked with the sales volume. Thanks to Moore's Law and benefits linked to economies of experience (e.o.e), mass and scope, operational costs might be reduced.



*Illustration 3: Estimations of cans sold over time Vs cans that should be sold under three different assumptions (fixed cost, variable cost without IT, variable cost with IT).*

Hence by supposing IT would simply allow operational cost reduction, it would seem reasonable to allow a budget of  $200'000/2$  (cans saved the fifth year)\* 0,4 (€ gain/can) = **€40000 over five years for IT.**

## Customer of Barokes

Objective	Target	Measure	Initiatives
Achieve user retention by enhancing user experience	Collect <10% negative feedback from users	(Negative feedback) / (Overall sold)	Help Desk
		Probability distribution of causes of disappointment	Customer relationship management Decrease PWC and do clients segmentation.
	Track 100% users negative feedback (from issue, to cause identification until problem resolution)	Negative feedback/ Problem solved	Help desk process certification (CobiT or ITIL)
		Prob. distribution of resolution times & expenses over months	Make a customers analysis reports every 6 month
	Obtain some amount of money from repetitive consumers and evangelists within 2 yrs	Amount of money from repetitive consumers	Advise new products to repetitive consumers
		Amount of money from evangelists	Tracks evangelists Give incentives/discounts to evangelists

The description of the value chain we supposed for ReyAll finds place in appendix C, together with more explanations about consumer's experience. Thus we refers to it for more in-depth analysis and we illustrate here the **three main levels of the offer proposition** for the client:

- Consumer experience's enhancement: going beyond the simple customer relationship management, i.e. what the client knows about its consumers, the **consumer experience management**(CEM) would let ReyAll knowing what consumers thinks about clients companies, as described in [Meyer & Schwager, 2007]. Customer retention seems to be critical for a new company, which try to enter a niche market where customer's acquisition cost is quite high. Reduction on Perceived Website Complexity (PWC) is expected to increase the chance of a positive customer's experience as described by [Jang & Benbasat, 2007].
- Consumers evangelization: as suggested by [Conley, 2007] better consumer's experience enhancement leads to customers that are spreading the words (i.e. **customers evangelization**), helping the client company acquire new customers. In other words, once the company had fulfilled customer's expectations and needs, it might gets as advantage both retention and free acquisition of new customers.
- Consumers' analysis review: once ReyAll has differentiated itself by offering greater product experience to customers at a lower price thanks to customers' retention and evangelization, ReyAll could also **publish reports** to be sold to its clients, describing current trends in markets where it acts and the perception customers have of different companies/products.

### Process (Product marketing for Barokes)

Objective	Target	Measure	Initiatives
Reduce Process cost	Within the second year decrease front-end management costs reduction to 5 CHF/customer call.	Customers calls/year	Front-end processes improvement
		Total year costs of front-end tasks.	Front-end processes automation.
	Within the third year increase process speed to 5 days delivery time.	Prob. Distribution of delivery times/mo	Vertical integration
			Increase information share within the supply chain.
			Move products' stocks to the final supplier.
	Increase process efficiency by having a Total Cost of Ownership per client in the second year of less than 50 CHF.	Median Total Cost of Ownership (TCO).	Increase customer retention and evangelization
			Increase process quality
Collect customer's feedback.			

The in-depth process analysis is presented in appendix D. The key point presented here concerns the **potentials of an open business model**, as the one described by [Chesbrough, 2007]. As ReyAll produces value from being the interface between clients and customers, it might be profitable to create a platform where both actors involved could exchange data by being both content producers and users. The main advantages would be ([Chesbrough, 2007], pg. 27):

- lower development costs and time savings from leveraging external development. In other words this would help obtaining operational efficiency that could lead to cost leadership mentioned before.
- new revenues from licenses, and new sales. Such new products would support ReyAll seek for product differentiation, which has been mentioned before concerning ReyAll's understanding of market's trends and new opportunities.

More in details, as there are three main steps in the process described in appendix D, it might be in the interest of ReyAll to understand that the value it produces comes from allowing the interaction between customer and client while collecting data concerning the way such interaction occurs.

## Section 2: Second Life

### Introduction

Second Life (SL) is a Social Virtual World (SVW) where users avatars (residents) can communicate, collaborate, buy and sell virtual goods and services (Hendaui, 2007). Second Life is developed by Linden Lab( <http://lindenlab.com/>) and is available since June 2003. As of January 2007 the client has been release under GPL license. The number of residents has “exploded” from 1 to 6 million users and SL has become a hot topic in mass media.

SL, and more generally SVW, is not just a game. Each week 1,5 million dollars are exchanged in SL. This new opportunity of business for the organizations is called v-Business. To enable v-Business, SL has some particularities:

- Virtual reality (VR) that mixes audio, video, etc. to interact with the user.
- Intellectual property is guaranteed to the user on the objects that he creates.
- Linden Dollars (L\$) allow users to buy and sell stuffs.

A lot of activities are now on SL: business, arts, education, etc. and many organization have joined SL. Here are some examples taken from Wikipedia:

1. Toyota tests virtual models of new cars.
2. American Apparel tests new products in SL.
3. IBM allows ordering real computer in SL.
4. 20<sup>th</sup> Century Fox projects movies before they appear in Movie Theater.
5. Caisse d'épargne gives away free T-shirts with the colors of the brand.
6. Lacoste organizes competitions to win 1'000'000 L\$.
7. Organizations like Alstom, l'Oréal or Accentures do their recruitment process completely or partially in SL.
8. Many universities (Harvard, New York, Stanford, ...) have a presence in SL to experiment v-learning.

The list of activities and organizations in SL raises from day to day due to the success of this SVW.

## Second Life main relevant features

In SL, the user is able to customize his avatar. This is very easy and there are a lot of parameters to customize the physical appearance of the avatars. The user could complete his physical appearance with clothes that he makes or buys.

The user is able to create objects in SL (Figure 1 and 2). The user can choose if he wishes to allow his creations to be shared, copied or if he wants to keep his intellectual rights on it. The possibility to create objects is not allowed everywhere: it is possible to create objects on the land you own or on specific locations that permit content creation.

The user is also able to communicate with other residents. The communication is through the gesture of the avatar, chat or VoIP.

In SL mobility is not limited to walking, the user may also fly or teleport himself to reach his desired location. The owner of land can restrict the access to his land. One of the most important features in SL is the search engine, which allows finding users, places or groups.

The users have to buy Linden\$ from LindenLab to do business in SL. If you sell something in SL, you can change back your L\$ into real dollars.

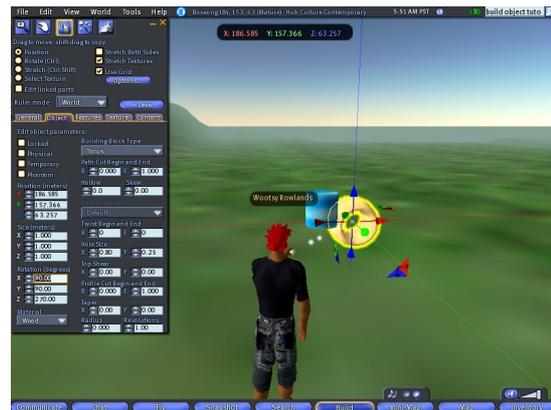


Illustration 4: Creating a can in Second Life



Illustration 5: Creating a can in Second Life

## Benchmarking

In our project we are interested in designing an IT strategy for the company ReyAll. A possibility for ReyAll is to implement a completely or partially v-Business strategy. In the next section we will benchmark the wine, and more generally, the drink companies in SL. The objective is to list the existing alternatives from a simple brand promotion in SVW to a “complete v-Business” island in SL who sells wine. Château Grand Moulin had already an e-Business structure before they used SL.

### French winery “Château Grand Moulin”

( <http://slurl.com/secondlife/Uberto/234/139/39>)

This French winery sells real bottles of wine in SL (Figure 6). Prices are between 5’000 and 10’000 L\$ for a delivery in France. The transaction is performed in SL. There is a brief presentation of all the products of Château Grand Moulin.

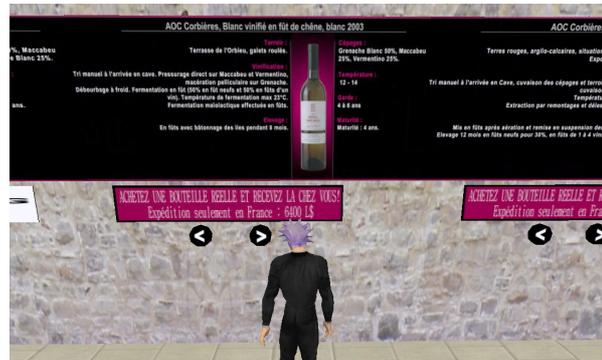


Illustration 6: Chateau Grand Moulin

### Virtual wine bar & academy

(<http://slurl.com/secondlife/A1%20Tang/91/163/66>)

This is the meeting place (Figure 7) of a group of wine taster in SL. This place looks like a small restaurant. Residents have a virtual diner with a glass of wine. Nothing is sold in this place. The most important feature here is the user experience.



Illustration 7: Virtual wine bar & academy

### Melifont Abbey Wines

( <http://slurl.com/secondlife/Totem/30/208/65>)

This place is like the virtual wine bar (Figure 58). It’s a meeting place where residents could have a virtual dinner in an old abbey in the middle of vines landscape. Nothing is sold in this place. Like in the virtual wine bar, it’s the user experience that is important here.

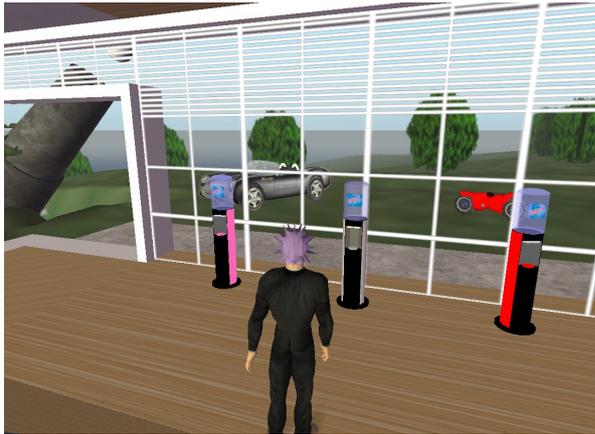


Illustration 8: Melifont Abbey Wines

### Cristalp

( <http://slurl.com/secondlife/BCV%20Island%20/193/91/28>)

Cristalp is a Swiss brand of water that belongs to Nestlé Waters SA. They have one of the most advanced presences in SL for a drink company (Figure 6). In their part of island, they have a building with a conference room and a show room on the first floor (Figure 9). On the second floor they are information about the Cristalp water (Figure 9). Outside the building there is a funny attraction, a human canon ball. The human canon ball add a great user experience to the Cristalp presence in SL. Many residents come to try the canon ball without knowledge of the brand Cristalp, but then know that Cristalp is a water brand.



*Illustration 9: Cristalp, bottom floor*



*Illustration 10: Cristalp, first floor*

The rapid benchmarking of his locations in SL, allows us to classify the different existing possibilities for a drink company who wants a presence in a SVW:

**Promotion / learning space:** a room with a virtual representation of the product and a lot of pictures and scheme to explain his origin, the production, ...

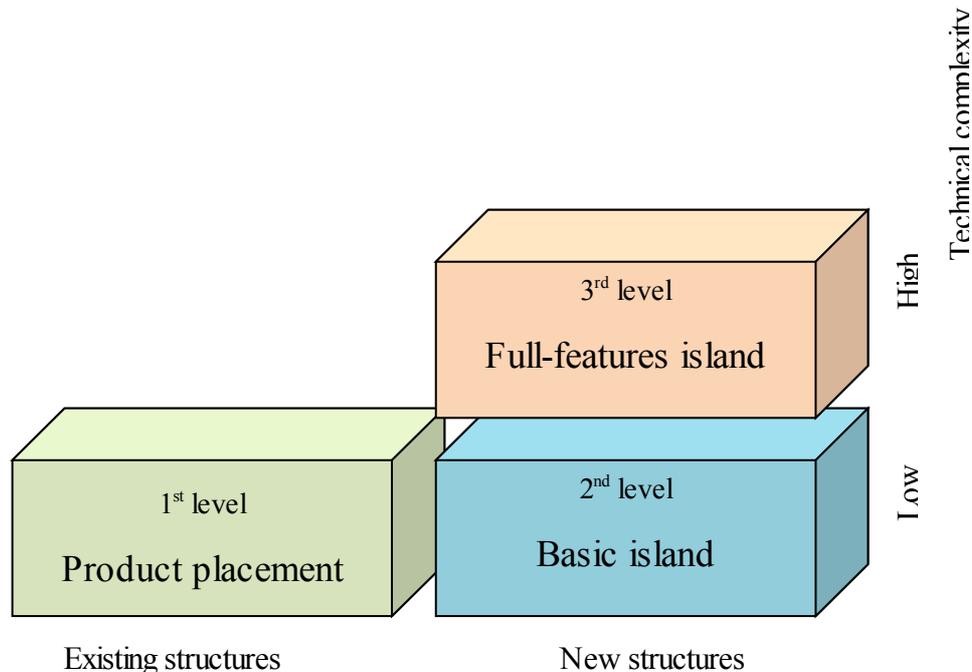
**Community space:** This is a space where the community, which is around the product, could meet. To enforce the feeling of community, brand objects could be distributed.

**Activity space:** To attract and retain the residents in the island, it's important to have an attraction or to organize events. It's a kind of promotion not only for the brand, but for the presence of the brand in SL.

## Promotion

Before formulating potential strategies for ReyAll in SL, it is worth turning one's attention to the different ways available to the company to promote its brand and products.

We will define these communication strategies according to two dimensions: their relying on existing or new structures in SL and their technical complexity.



Deploying brand and products in existing virtual places is motivated by the will to collect data concerning consumers in their habits and known environment. It is a way to increase brand awareness and consumers acquisition/retention.

Building new structures dedicated to ReyAll's corporate philosophy and products is a way to explicitly differentiate the company. It is a way to make the company's unique value proposition explicit to the consumer.

Through these three setups, one should pay attention to the quality of the experience delivered in SL product in order to achieve consumer

As we shall see in more detail later, a consumer's behavior in SL can be linked to his real world purchasing habits. For this purpose, we will suggest the use of product codes and membership cards.

### Three level of promotion in SL

#### *1<sup>st</sup> Level: product placement*

We consider this level as the simplest and cheapest way for ReyAll to promote their products on SL. The idea is to place products – wine cans for instance – in existing places which are likely to be visited by potential consumers. This solution also presents the advantage of being rapidly implementable. It does not impact people, structure, tasks, or risk in a relevant manner.

It raises two questions: how should ReyAll choose the places at which its products will be present? And what is needed in order to interest potential consumers for these products?

Obviously, ReyAll could disseminate its products in all kind of shopping islands – even for free – and other frequented locations, thereby achieving maximal visibility. Nevertheless we think that this option is not satisfactory. In the first place, it creates a problem of scope because ReyAll may fail to focus on its relevant potential consumers and target them effectively. Secondly, it fails in achieving a cohesive brand image: as ReyAll wants to integrate the wine can products in the vino lifestyle concept, they should carefully choose places where similar values are present, for instance lounge bars, spas, virtual wellness spaces and so on.

Then we need to attract consumers – and create their motivation to interact with the product. For instance when trying the product, we can propose them to complete a third party on line survey for a little amount of Linden \$. Even such a little amount of money has proven to be effective in attracting people.

### *2<sup>nd</sup> Level: basic island*

The next level for promoting in SL is to build an island. The company needs to buy the land and then build all of its content. At this level, we consider a basic setup where users can walk around and get information about ReyAll products and corporate communication in an environment reflecting the brand's values. As an incentive, consumers could receive a small amount of Linden \$ for interacting with the products. For example, if they sit at ReyAll's bar and drink a Baroke's can for ten minutes.

Streaming videos and multimedia presentation of the products would be used to demonstrate the qualities of the products. The island could be contained in its dimensions. By means of different floors ReyAll could let the user teleport himself/herself in the main hall at the bottom floor and then choose to which floor get teleported again. This way different floors can have different atmospheres and level of information complexity (please see [Jang & Benbasat, 2007] and [Nadkarni & Gupta, 2007] for the results of studies about the impact of Perceived Web Complexity on user experience).

The underlying idea is to use the island as an expression of ReyAll's differentiation. Therefore the island should not only reflect the corporate values but also emphasizes the whole value proposition of their products which has more a holistic life style than just a canned wine.

### *3<sup>rd</sup> Level: full-features island*

This alternative is built over the basic island mentioned above. The idea is to develop an elaborated island which will provide a rich user experience and fully support the consumer experience management. It should not only provide information about brand or products but also host events and have special zones with membership based access control.

This configuration will exploit the multimedia and interaction capabilities of Linden Lab's virtual world at its maximum. The company could organize virtual test pools for products and it could even offer personal space to its best consumers. They could invite artists – musicians, graphical creators, fashion creators – and organize conferences in order to add prestige and attractiveness to their island. A dedicated avatar could accompany the consumers through the different spaces of the island.

One important aspect of this structure is the access controlled areas. Users would have access to different floors according to their retentiveness. These VIP spaces could be organized as the different floors of a building, the lower floor being accessible to anyone and the upper one only to members –

which may be perceived as elitism – or as different smaller islands using the same principle. The members of this exclusive club would receive a special object which gives them access to the zones.

To reward consumers' trust, ReyAll could also offer its best consumer a room or a small house on the island. Indeed the basic island should have proven its attractiveness to consumers before the company invests such an important development effort even if network effect is an important success factor in SL.

### **Consumer reward program and consumer data collection**

We will now consider the means the company can use to link its virtual consumers to their real world alter ego.

#### *Product code*

This solution's goal is to measure and increase the number of ReyAll's existing consumers which become virtual consumers through their SL avatar. A printed code on the product (the product bar code or the can code) could give advantages in SL when entered in a specific place in SL. The incentives could be free Linden \$, promotional objects, fidelity points or access to exclusive areas.

Let us consider that ReyAll builds a partnership with an airline company flying from Geneva to England. As they know which codes are on the cans, they can analyze the on-board sales and then link these informations with the utilization of the codes in SL. This tool can be used for customized advertising and more focused consumer targeting. Indeed this requires an information system which enables the tracking of products up to their distribution point, and at the moment ReyAll does not own such an infrastructure.

#### *Membership Card*

ReyAll presented their soon-to-be-released membership card, which is based on a slim usb card. When the card is connected to the consumer's computer it acts as a dongle for his on line wine purchasing and hosts his preferences. As we presented in the full features island above, our idea is to enable the consumer to gain fidelity points not only through his purchasing in the real world but also through his behavior in SL. These virtual and real cards can be either independent or synchronized.

#### *Unsynchronized virtual and real card*

This is the simplest solution. The two cards are independent, reward points collected through the virtual reward program results in advantages in SL and reward points collected in real world gives advantages in the real world. There is no link between the avatar and the real consumers, nor can they use they virtual points to get a real life advantage.

#### *Synchronized virtual and real card*

Very complex because of technical integration issues, the solution of having one card which exists in the real as well as the virtual world opens a lot of possibilities for data mining and one-to-one marketing. This card would be synchronized in the way that reward points collected in the real world would be credited also on the virtual card, and vice versa. This allows ReyAll to know what consumers purchase – when and where – and what their behavior in SL towards ReyAll products is.

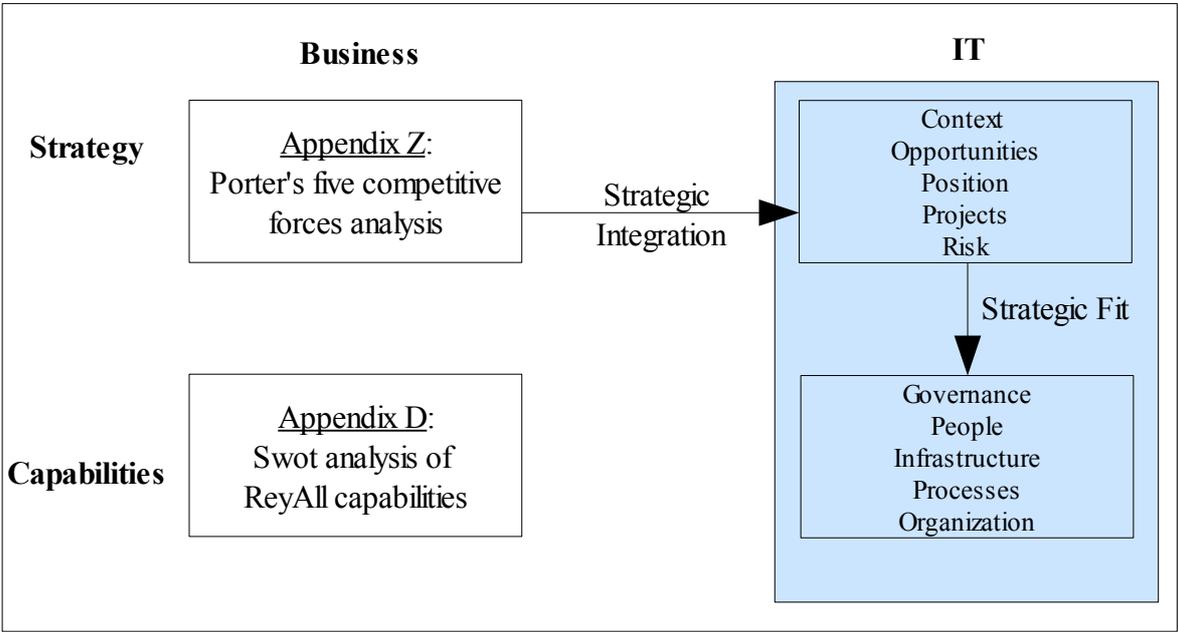
The integration issues are important: this implies an integration of the selling points and the coordination of the two systems, the one managing consumer data in SL and the one managing consumer data in the real world. It raises also questions about identity because of multiple avatars and the usual virtual world identity fraud issues.

### Section 3: IT strategy

In section 1 we described the business strategy, i.e. what we want to obtain, in a simple but quantitative way, while section 2 described the use of Second Life we would suggest ReyAll to take into consideration. In this section we apply the theory learnt in class to show how an IT strategy which exploits Second Life can let ReyAll achieve its business targets.

We will start by recalling what has been said so far concerning the business strategy before defining how ReyAll can achieve a strategic alignment.

#### Strategic alignment



Under our hypotheses ReyAll uses the business strategy as business driver, and it has top managers as visionaires. From the business strategy the IT one is derived, and then the IT capabilities are deduced.

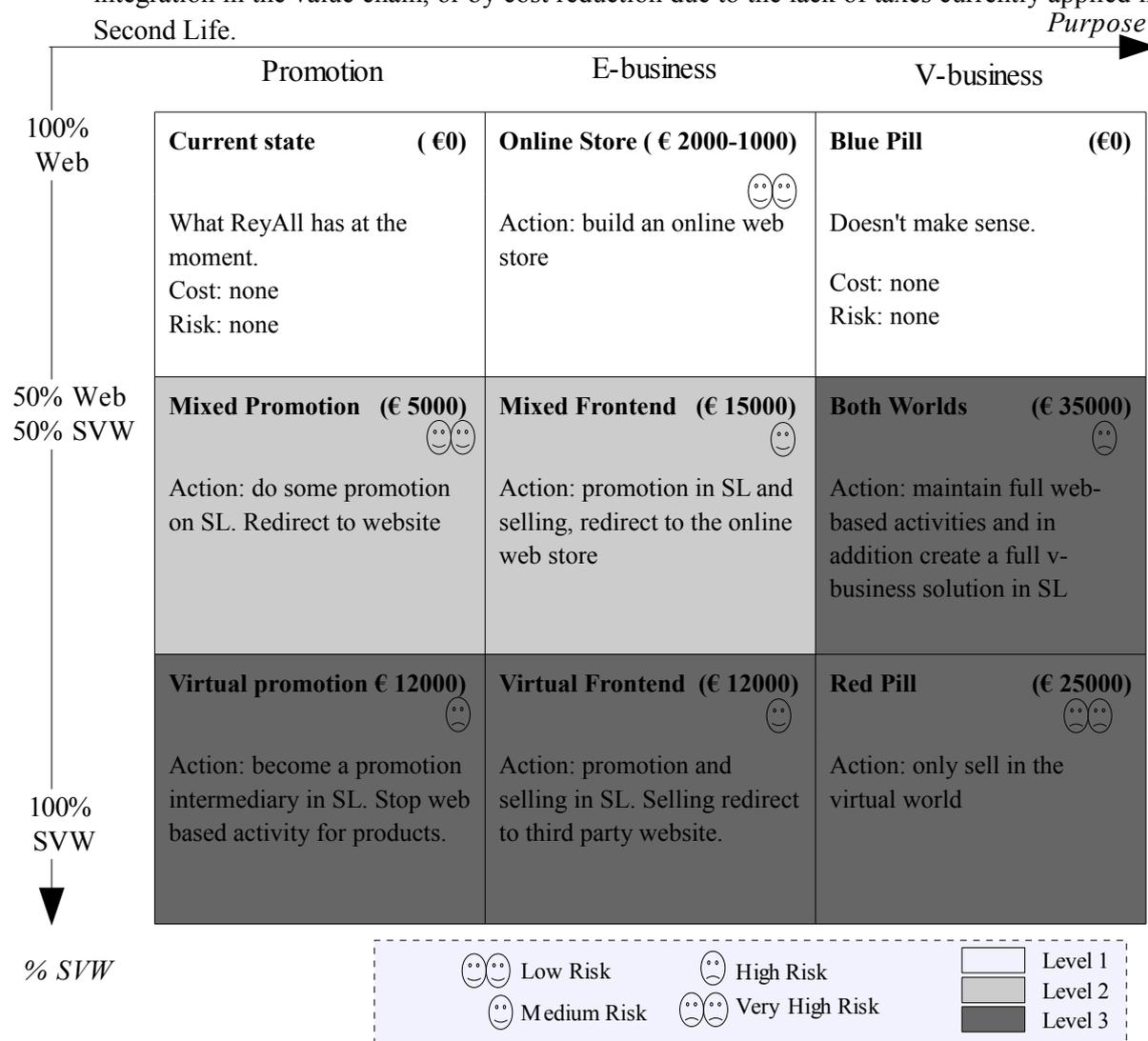
In the following pages we are going to present different strategic projects that ReyAll can decide to put in place. Each projects is linked to a scenario, and each scenario has a description form, which briefly describes the actions to be taken, the benefits and the risk associated before calculating the costs to obtain a strategic fit.

According to [Applegate et al., 2007], the outsourcing strategy and the risk strategy of ReyAll are expected to fit the case of a company in the *support* phase, which might shift in the future towards *factory*.

## Scenario Analysis Matrix

We got inspired by McKinsey Stephan Rey's presentation while defining the matrix presented in this page. Our purpose was to represent all scenarios as a set of options, each one of which is associated to a cost, and a risk. Hence we developed a 3 by 3 scenario matrix based on two dimensions:

- The level of implication in the Virtual World: none (100% web based), mixed, or entirely based in the virtual world. The more the scenario is positioned towards the 100% SVW, the higher the level of differentiation of the service offered by ReyAll
- The strategic purpose: only promotion, e-business (selling through conventional web stores), v-Business selling in the virtual world. ReyAll might be interested to evolve towards choices that assure cost leaderships, either by acquisition of operational efficiency due to tasks integration in the value chain, or by cost reduction due to the lack of taxes currently applied in Second Life.



In the following pages we will describe each one of them more in details. Although there are multiple combinations of promotion levels and IT Strategies possible for each scenario, we describe in each instance the one which we believe does best fit ReyAll's strategic vision.

## Assumptions

Difference between Virtual World and flat based browser experience:

In our assumption, a browser using a plug-in that enabled to navigate through a virtual world should be considered as a Virtual World.

Flat browser based experience:

Even if modern web technologies allow 3D views of products and support some social community, it differs from Virtual Worlds where one can act through an avatar who is constrained by all the rules of that virtual world

## Scenarios

### Current state (100% web - Promotion)

What ReyAll has at the moment.

Staying at this level does not cost anything more and naturally there are no risk attached.

IT has no real strategic impact. On the operational side e-mail is used to answer customer requests.

### Mixed Promotion (50:50 Web and SVW - Promotion)

<b>Activities involved</b>	<p><i>Level 1:</i> Strategic alliances, Aggressive pricing, Promotion campaigns, Outsourcing, Lindens for Survey.</p> <p><i>Level 2:</i> Decrease PWC and do clients segmentation, Operational efficiency, Customer relationship management, Make a customers analysis reports every 6 month. Bar code tracking.. Lindens for staying. Collect customer's feedback.</p>
<b>Benefits expected</b>	Change bases of competition. Reduce barriers to entry. Add value to products
<b>Risk</b>	<p><u>Task</u>: low task complexity, medium task volatility</p> <p><u>Technology</u>: new technology</p> <p><u>People</u>: outsource realization to experienced people, train employee to CRM</p> <p><u>Structure</u>: Easy communication and controls. Low politics.</p>
<b>Strategic fit</b>	<p><u>Level 1</u>: Manage SLA</p> <p><u>Level 2</u>:</p> <p>Train employees</p> <p>Manage relationships</p>

This scenario involves using Second Life as a new channel, mainly for promoting products. Since the involvement is quiet low, the cost and risk are low as well.

For ReyAll we suggest using promotion level 1(distribute virtual promotion products) first, and then if after a test face reactions are positive move on to level 2 (build an island).

IT has some strategic value if a CRM is used for tracking product codes. Also tracking the web logs can provide some metrics on effectiveness of the promotions.

This option is meant to increase the customers' experience and differentiate ReyAll offer to its clients compared to other commission agents.

### Virtual promotion (100% SVW - Promotion)

<b>Activities involved</b>	Front-end processes improvement, Help Desk, Help desk process certification (Co Bit or ITIL), Make a customers analysis reports every 6 month, Advise new products to repetitive consumers, Tracks evangelists, Give incentives/discounts to evangelists
<b>Benefits expected on targets</b>	Change bases of competition. Reduce barriers to entry. Add value to products. Reposition in the value chain (marketing)
<b>Risk</b>	<p><u>Task</u>: medium task complexity, medium task volatility</p> <p><u>Technology</u>: new technologies</p> <p><u>People</u>: outsource realization to experienced people, outsource Help desk.</p> <p><u>Structure</u>: easy communication and controls. low politics.</p>
<b>Strategic fit</b>	<p>Manage SLA</p> <p>Train/acquire employees</p> <p>Manage relationships</p>

Going fully and only virtual uses the same steps as in case (2), but has a higher cost because a more complex island, as well as big marketing plan. One example could be giving away virtual money as a mean to generate traffic.

However, we see this scenario only realistic if ReyAll wants to be a "hidden" intermediary, since this scenario does not involve any web presence. The core idea is to make advertising in the virtual world to push consumption in the real world events. As ReyAll focus on a multi-sided concept (lifestyle) this option does not make any sense for them.

IT has a strategic value for tracking metrics through CRM to see which impact a promotion in the virtual world has on events in the real world.

This option is meant to increase the customers' retention and evangelization in order to differentiate ReyAll offer to its clients and increase ReyAll understanding of its customers.

## Online Store (100% Web - E-business)

<b>Activities involved</b>	Front-end processes improvement, Help Desk, Help desk process certification (CobiT or ITIL), Make a customers analysis reports every 6 month, Advise new products to repetitive consumers, Tracks evangelists, Give incentives/discounts to evangelists, information sharing with the supply chain, collect consumer feedback, vertical integration
<b>Benefits expected on targets</b>	Change bases of competition. Reduce barriers to entry. Add value to products. Reposition in the value chain (marketing, distribution and logistics)
<b>Risk</b>	<p><u>Task</u>: medium to high task complexity, low to medium task volatility</p> <p><u>Technology</u>: new technologies</p> <p><u>People</u>: outsource realization to experienced people, outsource Help desk. Insource knowledge for transaction platform management.</p> <p><u>Structure</u>: Accountability control needed. Hierarchy and responsibility structures.</p>
<b>Strategic fit</b>	<p>Manage SLA</p> <p>Generate revenues</p> <p>Train/acquire employees</p> <p>Manage relationships</p> <p>Ensure delivery and operational efficiency</p>

This is the classic web e-business scenario where you build a web store. We see two steps that can be taken:

Use service of third-parties like e-Bay, Amazon and other selling platform to reduce initial start-up cost. But as growth progress we think it will become necessary to setup a custom web store. Doing this is naturally more costly and more risky, but provides the benefit of IT value. IT can be more tightly integrated between CRM, web-store, accounting,... into one ERP system.

IT has an important strategic impact on customer relation and logistics for delivering the product on time.

This option helps achieving operational efficiency by means of tasks integration and helps ReyAll shifting its position in the value chain of its clients.

### Mixed Frontend (50:50 Web and SVW - E-business)

<b>Activities involved</b>	Front-end processes improvement and automation, Help Desk, Help desk process certification (CobiT or ITIL), Make a customers analysis reports every 6 month, Advise new products to repetitive consumers, Tracks evangelists, Give incentives/discounts to evangelists, information sharing with the supply chain, collect consumer feedback, vertical integration, strategic alliances (i.e. logistics), Introduce KPI,.
<b>Benefits expected on targets</b>	Change bases of competition. Raise barriers to entry (first come advantage in SL). Add value to products. Reposition in the value chain (marketing, distribution and logistics)
<b>Risk</b>	<p><u>Task</u>: high task complexity, medium task volatility</p> <p><u>Technology</u>: new technologies</p> <p><u>People</u>: outsource realization to experienced people, outsource Help desk, insource knowledge for transaction platform management knowledge.</p> <p><u>Structure</u>: Accountability and control needed. Hierarchy and responsibility structures.</p>
<b>Strategic fit</b>	<p>Manage SLA</p> <p>Train/acquire employees</p> <p>Manage relationships</p> <p>Ensure delivery and operational efficiency</p>

For this scenario to work, the company either has to already have an IT infrastructure as described in the previous case or it has to build one. The difficulty of this case lies in the fact that front ends, web and SL have to be integrated to use the same back end, or else the cost will be too high for maintaining two systems. If the IT systems are flexible, many value added service can be provided, for example different promotion for customers linking from SL, special discount codes. A more standard way would be to simply link from SL to the standard web store, but then IT has more of an operational value.

Thus this option is meant to gain in operational efficiency while offering a greater customer's experience, in order to achieve both cost leadership and product differentiation.

### Virtual Frontend ( 100% SVW - E-Business)

<b>Activities involved</b>	Front-end processes improvement and automation, Help Desk, Help desk process certification (CobiT or ITIL), Make a customers analysis reports every 6 month, Advise new products to repetitive consumers, Tracks evangelists, Give incentives/discounts to evangelists, information sharing with the supply chain, collect consumer feedback, strategic alliances (third party e-business and logistics)
<b>Benefits expected on targets</b>	Change bases of competition. Raise barriers to entry (first come advantage in SL). Add value to products. Reposition in the value chain (marketing)
<b>Risk</b>	<p><u>Task</u>: high task complexity, medium task volatility</p> <p><u>Technology</u>: new technologies</p> <p><u>People</u>: outsource realization to experienced people, outsource Help desk, insource knowledge for transaction platform management knowledge.</p> <p><u>Structure</u>: Accountability and control needed. Hierarchy and responsibility structures.</p>
<b>Strategic fit</b>	<p>Manage SLA</p> <p>Train/acquire employees</p> <p>Manage relationships</p>

If the company decided to be a hidden intermediary, or a promotion agency, it might be possible to sell the product on line. But in this situation, we think that the only feasible way is to outsource the on line store and simply link to it on our promotion space in SL.

To eliminate the risk of bad service through the outsourced store, it should be taken into account, to sign well design SLA with them.

This option increases the customers' experience while leaving the E-business infrastructure management to the client. It might involve a new kind of partnership between ReyAll and its clients.

### Blue Pill (100% Web - V-Business)

This situation doesn't make any sense. By our definition, flat browser based experience cannot create a dynamic interactive virtual world.

**Both Worlds (50:50 Web and SVW - V-Business)**

<b>Activities involved</b>	Front-end processes improvement and automation, Help Desk, Help desk process certification (CobiT or ITIL), Make a customers analysis reports every 6 month, Advise new products to repetitive consumers, Tracks evangelists, Give incentives/discounts to evangelists, information sharing with the supply chain, collect consumer feedback, vertical integration, strategic alliances (i.e. logistics), Introduce KPI.
<b>Benefits expected on targets</b>	Change bases of competition. Raise barriers to entry (first come advantage in SL). Add value to products. Reposition in the value chain (marketing, distribution and logistics)
<b>Risk</b>	<p><u>Task</u>: high task complexity, high task volatility</p> <p><u>Technology</u>: new technologies, strong integration issues</p> <p><u>People</u>: outsource realization to experienced people, outsource Help desk, insource knowledge for transaction platform management knowledge.</p> <p><u>Structure</u>: Accountability and control needed. Hierarchy and responsibility structures.</p>
<b>Strategic fit</b>	<p>Manage SLA</p> <p>Train/acquire employees</p> <p>Manage relationships</p> <p>Ensure delivery and operational efficiency</p>

Naturally, being present on the both fronts is the total solution, but it comes associated with a high cost and risk of maintaining such a complex infrastructure. Having all the advantages of the solutions coming before we must warn to take into consideration these points:

Integration problem, products sold in Linden \$ in SL and products sold in real \$ in the real world require distinct stores, but should be handle by the same back end system. The IT systems should share the same infrastructure and allow transition from the web-based interaction to the virtual world and vice-versa, or risk losing customers when they want to switch but the retraining is too hard.

IT values we can provide in this scenario are quasi limitless (e.g. if the system is well integrated we could follow the user from his purchase he makes in the real world to the purchase he makes at home visiting a one of our virtual spa in SL).

This option involves a presence on both worlds, offering more opportunities at a greater cost. Cost leadership and product differentiation are expected.

### Red Pill (100% SVW - V-Business)

<b>Activities involved</b>	Front-end processes improvement and automation, Help Desk, Help desk process certification (CobiT or ITIL), Make a customers analysis reports every 6 month, Advise new products to repetitive consumers, Tracks evangelists, Give incentives/discounts to evangelists, information sharing with the supply chain, collect consumer feedback, vertical integration, strategic alliances (i.e. logistics), Introduce KPI.
<b>Benefits expected on targets</b>	Change bases of competition. Raise barriers to entry (first come advantage in SL). Add value to products. Reposition in the value chain (marketing, distribution and logistics)
<b>Risk</b>	<p><u>Task</u>: high task complexity, high task volatility</p> <p><u>Technology</u>: new technologies</p> <p><u>People</u>: outsource realization to experienced people, outsource Help desk, insource knowledge for transaction platform management knowledge.</p> <p><u>Structure</u>: Accountability and control needed. Hierarchy and responsibility structures.</p>
<b>Strategic fit</b>	<p>Manage SLA</p> <p>Train/acquire employees</p> <p>Manage relationships</p> <p>Ensure delivery and operational efficiency</p>

Selling only through SL is conceivable only if Virtual World usage has become mainstream. Once this is the case, the cost and risk associated should not be higher than selling on the Internet today, but until then cost and risk are very high and we think it is too early for it. The cost estimation is based on [Briggs, 2007].

This option is meant to strongly differentiate ReyAll from the current competitors, allowing it to fully gain from the first mover's advantage.

### Missing

The scenarios covered above are all based on a product centric vision. In addition to their products ReyAll has also a “vino-lifestyle” concept. This is more related to their promotion choices than to the business scenarios mentioned above. The possibilities and implications of integrating the products to the more holistic vino concept promoted by ReyAll have already been evocated in the promotion section.

Rights and behavior enforcement in SL is still a mystery since there are at this time no specific rules about it. In all these scenario an implicit risk has to be taken into consideration concerning Linden Lab’s the creator of second life. Because SL isn’t open source nor is its grid distributed among multiples parties, if Linden Lab’s goes out of business or decides to change the rules of their virtual world, all the members are at their mercy.

## Section 4: Conclusions

In this section we are going to present the scenario we would suggest ReyAll to target in the close future. After we will present to possible evolutions depending on the new environment that ReyAll will have to deal with.

### Our chosen scenario and its implementation

We see the Mixed Promotion (50:50 Web and SVW – Promotion) as the best strategic choice, as it allows ascertain degree of exploration while giving significant returns in a reasonable amount of time, which is large enough to allow the company to acquire the skills and the infrastructure needed to fully implement it.

Taking [Jacques, 2007] as a reference point we are going now to present a time line, which ReyAll might be suggested to follow.

Guiding principle Vs years	2008	2009
<b>Make friends</b>	Strategic alliances with airline company  Strategic alliances with SL islands	Strategic alliances with airline company  Acquire an island
<b>Begin with basics</b>	Promotion campaigns in SL	Decrease PWC while design the island  Do clients segmentation
<b>Win early and often</b>	Aggressive pricing	Look for operational efficiency  Gives lindens for staying in the Island.
<b>Measure</b>	Lindens for Survey	Customer relationship management,  Bar code tracking  Collect customer's feedback.
<b>Share</b>	Make a customers analysis reports every 6 month and share with clients	Make a customers analysis reports every 6 month and share with clients  Start developing a double-sided platform approach concerning the island
<b>Stake out territory</b>	Outsourcing of virtual product development	Outsourcing of island development  Train an employee
<b>Find your place</b>	Feedback from client (Barokes)	Talks with client about role expansions in its value chain

In our scenario implementation we would suggest ReyAll to implement during the first year level 1 (described in section 2) , while focusing the rest of the attention on obtaining deals with airlines companies. This way the bases for the further steps would be already set, at a reasonable cost.

In the second year level 2 should be achieved, in order to start gaining from customers' feedback about the new value offered by the island developed in Second Life. In these first steps outsourcing should be preferred, as it assures fixed costs and lower risks. The Swiss company that developed the island for CristAlp might be a suitable choice for outsourcing, which might be taken into consideration.

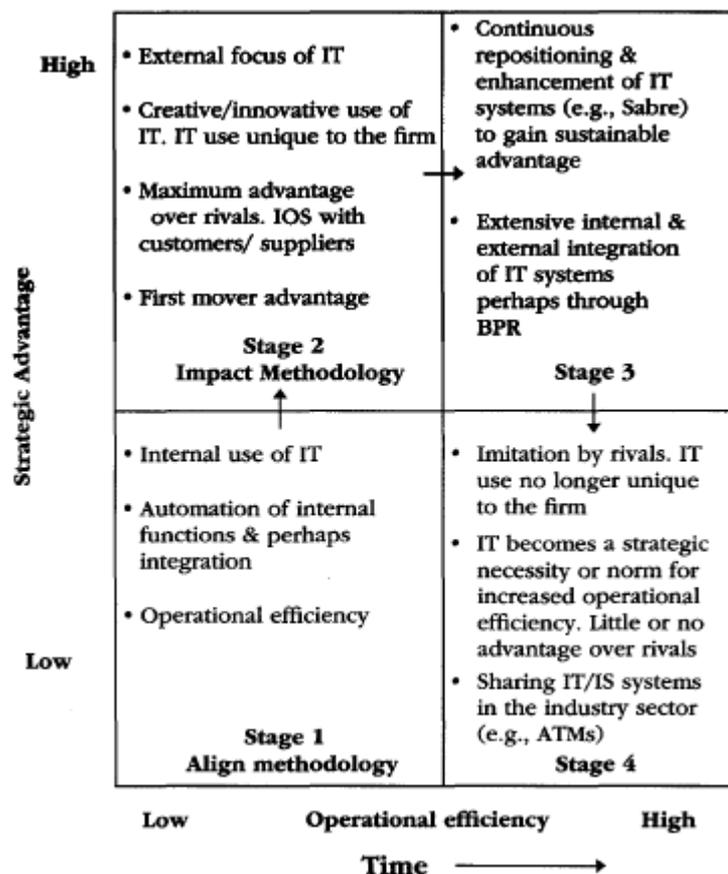
Customers' data collection should start in order to get more and more information to set a correct strategy for customers experience management. As customer's feedback and clients' support would be critical, in this step all valuable data should be shared with other stakeholders. Indeed they are not expected to be interested in taking the place of ReyAll in the value chain, due to the current incertitudes linked to the virtual environment.

Once ReyAll has achieved level 2, two options can be taken into account

- Expand in the client's value chain: if Barokes is satisfied with the work done by ReyAll it might allow it to take greater responsibilities.
- Increase the presence in Second Life: if Barokes does not agree on letting ReyAll expand in its value chain, ReyAll might decide to operate in a parallel market.

Before seeing them in details it might be worth to illustrate the schema taken from [Philip, 2007], which is similar to what we have seen during the cours and that we took into consideration while defining the options.

We considered that ReyAll is currently at stage 1 and that it might use Second Life as a tool to achieve a strategic advantage. Once such advantage is achieved, it would be time to seek for operational efficiency, as other competitors will try to enter the same market. Once many competitors have entered the market, the strategic advantage might be lost but all the gains from being a first movers stay.

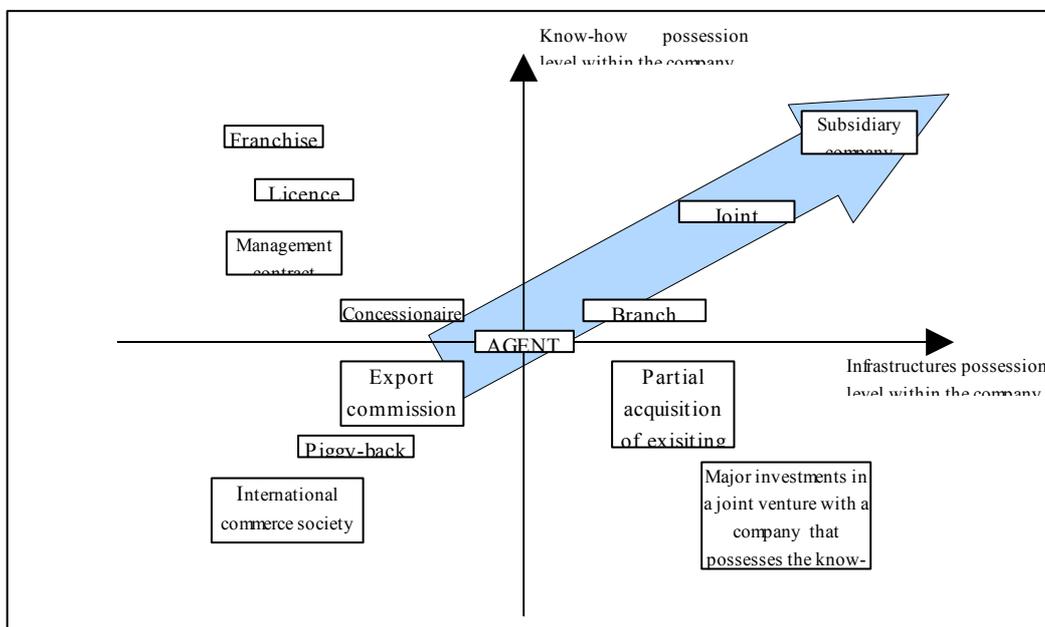


### Option 1: Expansion in the Client's Value Chain

Current state (€)	Online Store (€ 2000-1000)	Blue Pill (€)
Mixed Promotion (€ 5000)	Mixed Frontend (€ 15000)	Both Worlds (€ 35000)
Virtual promotion € 12000)	Virtual Frontend (€ 12000)	Red Pill (€ 25000)

We will now propose which scenarios ReyAll should realize under the assumption that ReyAll has the rights, or will have the possibility to acquire the rights to be a full distributor in the value chain of its products and not only a promotion agency.

- Step 1: Depending on the success in Second Life, ReyAll could start opening an e-business site with an online web store case if SL hasn't that much traction and then later move to a more tightly integration with SL, or directly go to Mixed Front End if promotion in SL is effective.
- Step 2: Depending on technological evolution and social habits, ReyAll could invest into a v-Business while maintaining its web based activity. This investment can be seen as a IT option, since if the paradigm of interaction on internet shifts from browser based to virtual world based for the mainstream of the population. The step to a modern leading edge v-business activity is not far away, and doesn't require a lot of investments.



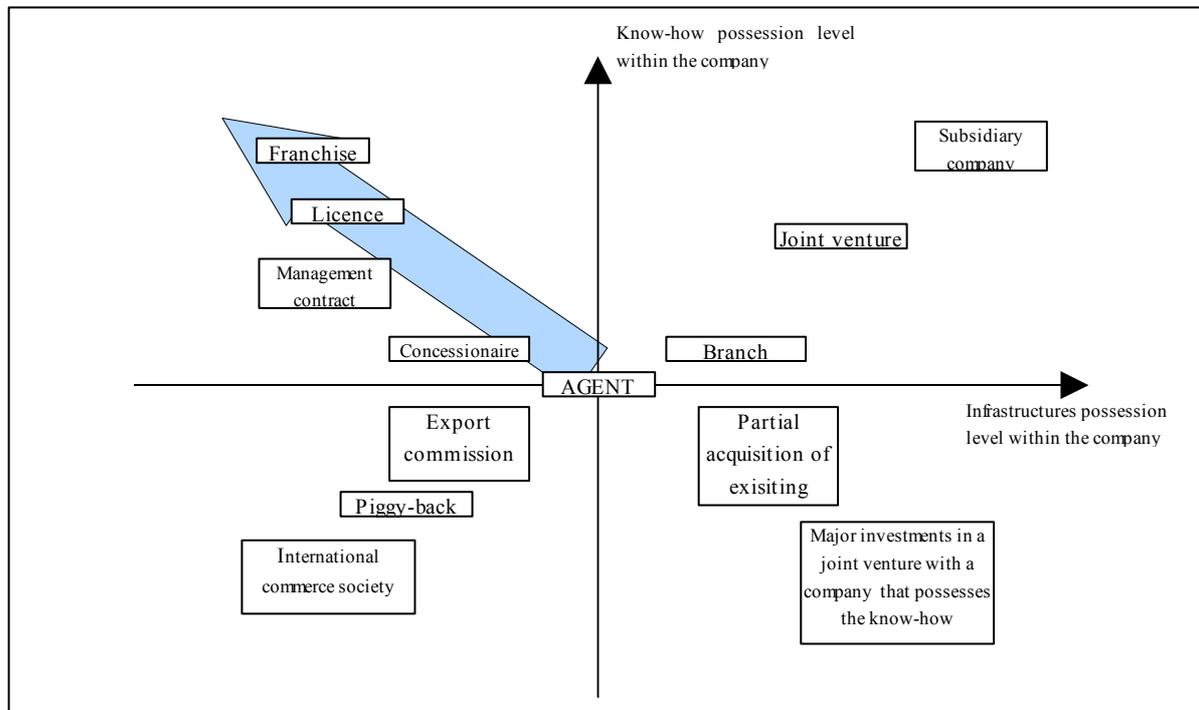
From the international distribution point of view, if one recalls the diagram shown in appendix A, this strategic option would lead to a greater partnership with the client, which could to a great share of power.

## Option 2: Increase the presence is Second Life

Current state (€0)	Online Store (€ 2000-1000)	Blue Pill (€0)
Mixed Promotion (€ 5000)	Mixed Frontend (€ 15000)	Both Worlds (€ 35000)
Virtual promotion € 12000	Virtual Frontend (€ 12000)	Red Pill (€ 25000)

If Barokes prefers to retain its role in the value chain, then ReyAll should expand in the parallel market offered by Second Life. Thus customers obtained would be first redirected to the clients' selling infrastructure, until the moment when a v-business could be initiated.

- Step 1: ReyAll should reach level 3 in Second Life by applying the tools suggested in section 2.
- Step 2: Once ReyAll has achieved a consistent amount of customers, it might be worth to start redirect them to a third party e-business site, to start getting tangible profit from that group of customers.
- Step 3. When the tangible profit gets high enough to motivate a v-business, then the shift to the last scenario should be performed. Once there it might be that Barokes might agree to let ReyAll take in charge also the e-business site, leading to the Both World scenario



In this case, the strategic direction ReyAll would follow is the one that exploits client's existing infrastructures and know-how, while performing marketing activities with a less degree of independence.

## Bibliography

Applegate, L M, Austin, R D & McFarlan, F W 2007, *Corporate Information strategy and Management*. McGraw-Hill International. 7<sup>th</sup> Edition.

AsiaTravelTrips 2006, 'Tiger Airways partners with Barokes Wine to offer Wine-in-a-Can'. Retrieved December, the 1<sup>st</sup>, 2007 from <http://www.asiatraveltips.com/news06/711-BarokesWine.shtml>.

Beverage Industry 2007, 'Healthful beverages to watch in 2007'. *Beverage Industry*, Vol. 98, No. 2, pp. 27.

Briggs, L L 2007, 'Ohio University Opens Virtual Doors'. Retrieved December, the 1<sup>st</sup>, from <http://www.campustechnology.com/articles/45246/>

Cheapflights 2007, 'Free bottle of wine for easyJet passengers'. Retrieved December, the 1<sup>st</sup>, 2007 from <http://news.cheapflights.co.uk/flights/2007/09/free-bottle-of-.html>.

Chesbrough, H W 2007, 'Why companies should have open business models'. *MIT Sloan Management Review*, Vol. 48, No. 2, pp.22-28.

Conley, C 2007, *Peak. How Great Companies Get Their Mojo from Maslow*. Jossey-Bass.

Flightmapping.com 2007, 'Flights to Geneva'. Retrieved December, the 1<sup>st</sup>, 2007 from <http://www.flightmapping.com/Europe/Switzerland/Geneva/>

Fuhrman, E 2007, 'Western Europe: A mature market'. *Beverage Industry*, Vol. 98, No. 9, pp. 24.

Garcia, R, Bardhi, F & Friedrich, C 2007, 'Overcoming consumer resistance to innovation'. *MIT Sloan Management Review*, Vol. 48, No. 4, pp. 82-88.

Gizmag.com 2007, 'Enviga – the calorie-burning soft drink'. Retrieved December, the 1<sup>st</sup>, 2007 from <http://www.gizmag.com/go/6317/>

Kaplan, R S & Norton, D P 1996, 'Using the Balanced Scorecard as a Strategic Management System', *Harvard Business Review*, Vol. 74, No. 1, pp. 75-85.

Kumar, V, Petersen, J A & Leone, R P 2007, 'How valuable is word of mouth?'. *Harvard Business Review*, Vol. 85, No. 10, pp.139-146.

Jacques, F M 2007, 'Even commodities have customers'. *Harvard Business Review*, Vol. 85, No. 5, pp. 110-119.

Jiang, Z & Benbasat, I 2007, 'The effects of presentation formats and task complexity on online consumers product understanding'. *MIS Quarterly*. Vol.31, No. 3, pp. 475-500.

Hendaoui, A 2007, 'Understanding virtual consumer behavior in three-dimensional social virtual worlds'. Presentation done at AIM 2007.

- Lancaster, G 2007, 'Internationa Marketing'. Retrieved December, the 1<sup>st</sup>, 2007 from <http://www.da-group.co.uk/main/s6/st72785.htm>
- Landi, H 2007, 'Seize the day'. *Beverage World*, Vol. 125, No 6, p14-14.
- Meyer, C & Schwager, A 2007, 'Understanding customer experience'. *Harvard Business Review*, Vol. 85, No. 2, pp. 116-126.
- Nadkarni, S & Gupta, R 2007, 'A task-based model of perceived website complexity'. *MIS Quarterly*, Vol. 31, No. 3, pp.501- 524.
- Osterwalder, A & Pigneur, Y 2005, "Clarifying business models: origins, present and future of the concept". *Communications of the Association for Information Systems*, Vol. 16, pp. 1-25
- Philip, G 2007 'IS Strategic Planning for Operational Efficiency'. *Information Systems Management*, Vol. 24, No. 3, pg. 250.
- Prime, N & Usunier, J C 2004, *Marketing International. Développement des marchés et management multiculturel*. Vuibert. 2nd edition.
- RateFx 2007, 'Currency Converter'. Retrieved december, the 10<sup>th</sup>, 2007 from <http://www.ratesfx.com/rates/rate-converter.html>
- Schenker, J L 2007, 'Web 2.0 Storms Europe'. Retrieved December, the 1<sup>st</sup>, 2007, from [http://images.businessweek.com/ss/07/11/1121\\_europe\\_web2/index\\_01.htm](http://images.businessweek.com/ss/07/11/1121_europe_web2/index_01.htm)
- Walsh, T 2006, 'Second Life Stats Expanded: Early 2006 '. Retrieved December, the 1<sup>st</sup>, 2007 from [http://www.secretlair.com/index.php?/clickableculture/entry/second\\_life\\_stats\\_expanded\\_early\\_2006/](http://www.secretlair.com/index.php?/clickableculture/entry/second_life_stats_expanded_early_2006/)

# Appendix A: Commission Agents

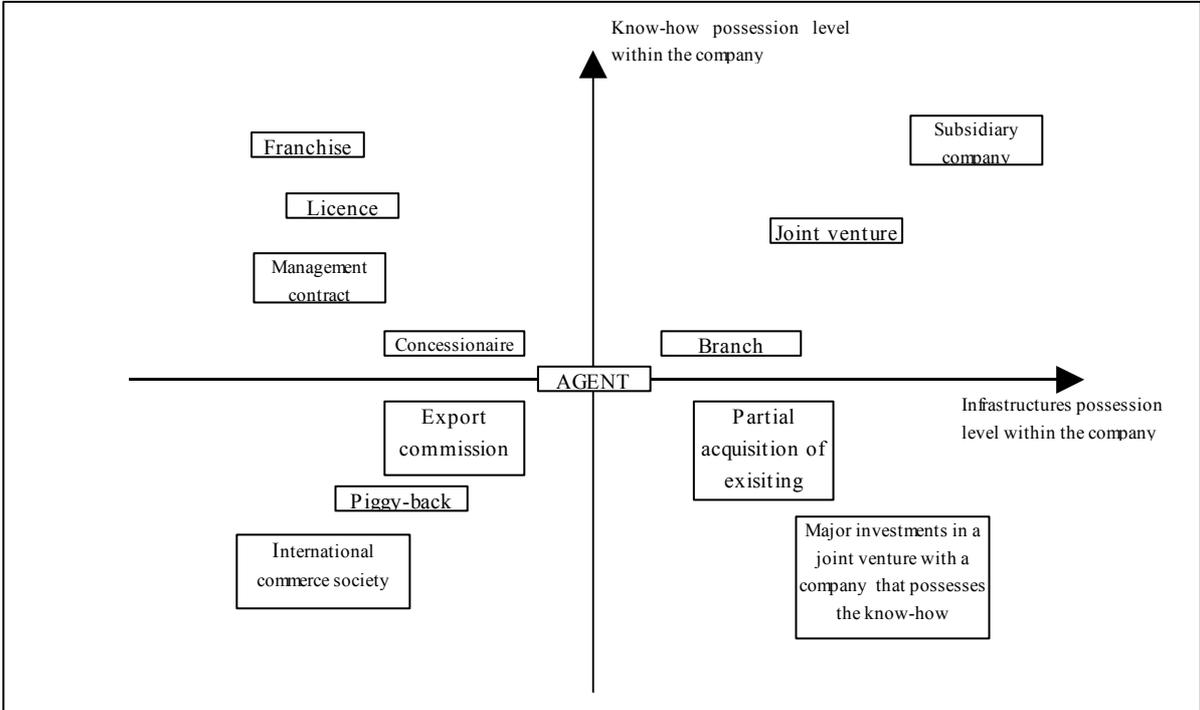
## Brief description of a commission agent

“Agents are probably the most popular kind of intermediary used in international marketing. A commission agent acts on behalf of a principal (the exporting company). The agent then secures orders, and receives an agreed percentage commission on these orders.

How far the agent becomes involved in the actual distribution of the goods depends upon the agency agreement. In some cases the agent receives the goods directly and then forwards these to the customer, but in other cases the agent’s responsibility ends when the contract has been agreed. In other instances the agent might be on an agreed retainer as well as a percentage commission on orders obtained. In the event of this latter arrangement, it is probable that the agent might be an exclusive agent acting only for the principal’s organization in relation to their particular goods or services. Agents will probably carry complementary lines and in some cases competing lines from other manufacturers. In such circumstances there would be a danger of competing lines, and not the principal’s lines, being ‘pushed’ in the market place. Agents are thus a convenient way of doing business at relatively low cost through an intermediary who knows the local market and local conditions of trading. However, the principal loses a certain amount of control in terms of how the company’s goods are marketed. If the agent is carrying other complementary lines then the commitment to market the principal’s product lines will not be as urgent as would be the case if only the principal’s products were being represented.”[Lancaster, 2007].

## International distribution politics: what should ReyAll aim at?

We decided to refer to chapter nine of [Prime & Usunier, 2004] and to represent here the different implanting modes for a international company. Currently ReyAll should be a commission agent, which is in charge of finding clients in a new market and that might hope to become an agent in charge of the marketing policies in the new markets. In the future ReyAll might be interested in increasing its presence in the top left corner by means of an independent site for v-business which does not interferes with the client web site, or to go for a partnership with the client towards the right side of the graph.



## Appendix B: How much is ReyAll expecting to earn? Analysis of the role of commission agents

As we do not expect ReyAll to have to deal with product storage, nor to have to buy them from the clients, there are only expenses linked to marketing and administrative activities.

If we suppose that ReyAll is composed of 1 Chief, 1 Secretary and 2 Agents, who earns an average of €35'000/yr (50'000CHF), we can expect ReyAll to target at a revenue of at least €140'000/yr (200'000 CHF). For what concerns costs linked to equipment and buildings, one could estimate it at €60'000/yr, which leads to a total of €200'000/yr..

As ReyAll has currently two clients, each one of them should then pay some €100'000/yr. Since ReyAll appears to be a commission agent, one could expect the contract between ReyAll and its clients to be composed of a fix part and a variable one, which depends on some indicator, like the products sold in a new market.

If ReyAll get a commission of 15% from each product sold, it would mean some €6,56 per wine case sold using the on line form according to [Barokes, 2007], and 0,237 € per wine can sold in airline [AsiaTravelTrips, 2006] (conversions have been done December, the 10<sup>th</sup>, using [RateFx]). Thus a good balance might be around 10'000 wine case, or 280'000 wine cans in airlines, sold every year. If one focuses only on Barokes, it would be logical to expect ReyAll to rather concentrate mainly on airline companies and not to try to sell too many wine case on line to individual users in the first years for two main reasons:

1. it might be not easy to get such volume for a niche product without gaining from externalities and word of mouth,
2. the current condition to sale (wine case sent from Australia in a bulk) might not be compatible with a single user, who just one to try a can and not want to spent \$96 for it.

In the growth analysis we mentioned more than ten airlines companies operating in Geneva. If ReyAll manages to get a deal with one of them, supposing that it has ten airlines going to UK every day (e.g. Easy Jet has seven going from Geneva to London), it would mean  $10 \times 2 \times 365 = 7300$  flights/yr. According to [Fuhrman, 2007], page 24, wine gets some 21% of the UK market while functional drinks only 1%. Hence one can suppose that one English customer out of five on the airline should choose wine, which leads to  $150$  (tot people/flight) $\times 0,22$ (wine drinkers/tot people) $\times 7300$ (flight/yr)=  $110'200$  wine drinkers/yr. This would mean some  $145'000$  wine drinkers the second year (supposing a 33% increase as wine) or  $205'000$  (supposing a 85% increase as functional drink).

Such estimation is only a reference based on few simple factors, but it does not take into consideration the effect of Europeans championships, the assumption that a flight company might introduce the wine on other flights of its, and that a satisfied customer might order the wine on line after.

The main conclusion is that by signing a deal with an airlines company operating between Switzerland and UK, ReyAll might manage to achieve at least half of the yearly required income (which one might expect from the Swiss market, leaving the rest to the Austrian one), while reaching the kind of customer which perfectly suit the target. This would have cascade effects on product visibility, customer's data collecting possibility and new market penetration.

## Appendix C: Value creation for clients, pyramid of needs of clients

The client of ReyAll is a producer of a product, which should be sold in a new market. Thus the consumer of such good shall be considered as a product itself, which is produced by ReyAll. In other words, ReyAll produces consumers for the chosen good. Customer retention is then achieved if the producer keeps on using ReyAll as a selling agent in those markets, where it is planning to work in.

### Value proposition for clients

We do not have precise data concerning ReyAll contract details, but it might be logical to assume it is involved in only one primary activity in the client's value chain: *marketing and sale*.

The value ReyAll adds to the client is linked to the access to a new market. In order to deliver it it gets customers data and potential customers that are then educated to become loyal product's customers.

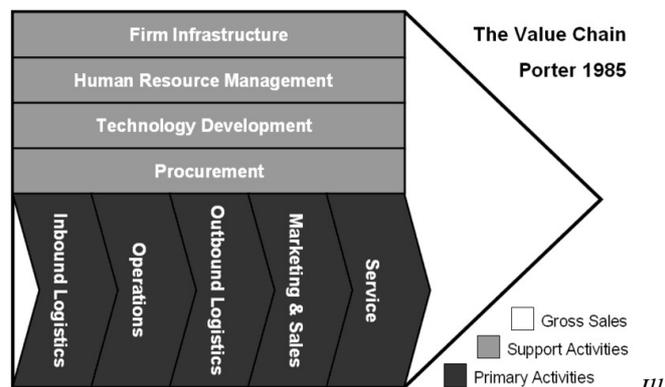


Illustration 11: Porter's value chain ([Wikipedia, 2007])

Main support activities are procurement, which finds new products customer and products producers, and technology development (new way to reach niches of both customers).

A strategic target in the long term for ReyAll could involve the expansion in the client's value chain towards the two directions:

1. Outbound logistics: ReyAll could buy client's product to be resold to the customer, in order to reduce the delivery time. The gain from tasks integration would be mainly operational.
2. Service: ReyAll could be the client's interface with the customers for what concerns the after sell. The feedback collected would support new marketing strategies increasing the innovation capabilities.

### Channel

At the moment solutions are explored both on the web and on second life. The way the channel would be exploited is also worth to be investigated: ReyAll can either point at a simple products' promotion, or to extend the scope and build a electronic (or virtual) business to gain direct access to product's customers. The second option is based on the assumption the client would agree to review the contract with ReyAll, allowing it to extend its presence on the client's supply chain.

### Relationship

It seems that ReyAll specializes itself on innovative products which have to be introduced in countries, with a moderate resistance to innovation.

In order to achieve success ReyAll should aim at vertical integration, in order to achieve operational efficiency, higher response to customer's needs, lower prices and lower delivery time as suggested by [Garcia et al, 2007]. An integrate information platform would do the work.

Currently the only relationship ReyAll expects to have with the customer is one way through a promotional web site.

### **The Barokes's customer**

ReyAll is expected to be targeting sophisticated, urban 25- to 49-year-old consumers who value products that are genuine and natural, as well as Carpe Diem did in the past [Landi, 2006]. If one suppose ReyAll to be pointing at the airplane market, the consumers should also European and traveller. If one compares this with the statistics about Second Life users, it might find some interesting features [Secretlair, 2006]:

- average age of users is 32, and the median age of users is 36
- 43% of users are female, 50% are female "by use."
- \$6.5 million USD in transactions took place in the last 30 days since March 7, 2006.
- 25,000 users logging in daily

### **The Barokes customer's pyramids of needs**

According to Chip Conley [Conley, 2007] the customer experience depends on three components: his expectations, his desires and his unrecognised needs.

In order to collect consumer's expectations ReyAll should conduct surveys in order to better understand how to adapt its offer both to its clients and its customers. Still it might be worth to remind that “satisfaction does not create loyalty” ([Conley, 2007], pg.112), which should lead ReyAll to anticipate customers and clients' preferences.

### **Mapping consumer's experience and consumer's referrals value**

A customer satisfaction Vs Billed revenues matrix could be used to represent consumers experience, as proposed by [Meyer & Schwager, 2007]. For the consumers' evangelization one could apply the formula suggested by [Kumar et al, 2007] to calculate the customer's lifetime value (CLV) for repetitive customers and the customer's referral value (CRV). A 2x2 matrix would then help obtaining four segments of customers to better tune the new marketing strategies.

**Appendix D: Process Analysis**

In this section we performed a SWOT analysis of the existing process, a SWOT analysis of the capabilities around the existing process and we draft a To-Be process.

**SWOT ASSESSMENT OF PROCESS (Barokes products marketing)**

<p style="text-align: center;"><b>STRENGTHS</b></p> <p style="text-align: center;"><b>Strengths of the process as it is now?</b></p>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <p style="text-align: center;"><b>Weaknesses of the process as it is now?</b></p>
<p>Specific advantage in the back-end processes (raw materials and packaging)</p> <p>Adapt the offer to a target which is expected to be wealthy, young and mobile.</p>	<p>Front-end processes are done either through personal meetings, or via fax that is downloaded from the website</p> <p>It takes a while to have products delivered to the client</p>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <p style="text-align: center;"><b>How can the process generate new value?</b></p>	<p style="text-align: center;"><b>THREATS</b></p> <p style="text-align: center;"><b>What changes can cause process decay ?</b></p>
<p>Front-end processes could be improved and automatized</p> <p>Back-end processes could be designed to allow vertical integration, which allows greater speed and lower costs.</p> <p>Virtual environment has users, which are most likely to appreciate the niche products offered by the company.</p> <p>If customer oriented, the process could assure a group of loyal customers</p>	<p>Too much high delivery times can lead clients to choose another product.</p> <p>Low operational efficiency at ReyAll could make the company miss opportunities or have too much high prices for its services.</p> <p>Competitors can enter Second Life before the company and exploit first movers advantages. (mainly visibility and brand recognition)</p>

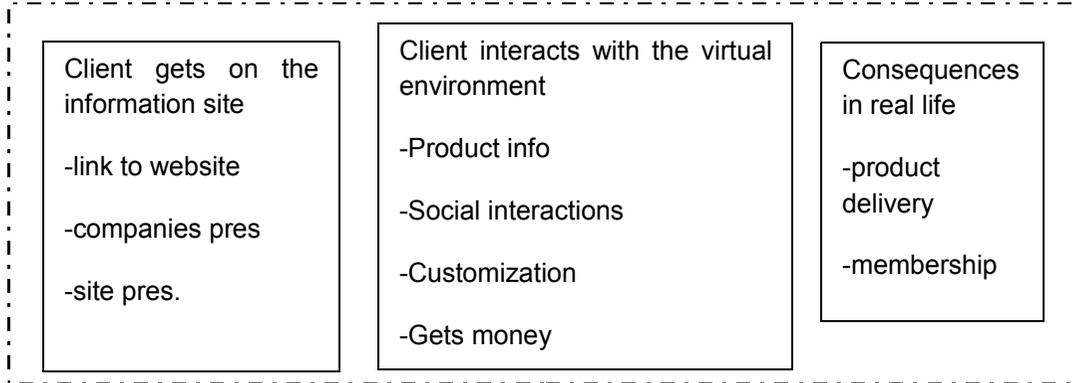
# ASSESSMENT OF WORK ENVIRONMENT AROUND PROCESS

<p style="text-align: center;"><b>INFORMATION TECHNOLOGY INFRASTRUCTURE</b></p> <p style="text-align: center;"><b>How adequate is IT Infrastructure in supporting and enabling the process?</b></p>	<p style="text-align: center;"><b>HUMAN RESOURCES &amp; TRAINING</b></p> <p style="text-align: center;"><b>How adequate are human resource skills for effectively driving the process?</b></p>
<p>Websites on place for each product.</p> <p>E-payment not currently available.</p> <p>Synchronization between supply chain actors via fax/mail/phone</p>	<p>IT processes are outsourced.</p> <p>No skills concerning e-business nor v-business inside the company.</p>
<p style="text-align: center;"><b>ORGANIZATIONAL DESIGN &amp; POLICIES</b></p> <p style="text-align: center;"><b>How effective are organizational structures, practices, and reward systems in facilitating and improving the process?</b></p>	<p style="text-align: center;"><b>CUSTOMER &amp; EXTERNAL LINKAGES</b></p> <p style="text-align: center;"><b>How effective are relationships with customers and external organizations in facilitating and improving the process?</b></p>
<p>Small company, interested in new technologies as a support for new marketing campaigns.</p> <p>It produces values by coordinating external actors in different countries</p> <p>It is constrained by current contracts with its clients</p>	<p>The company is the interface between clients (producing companies) and delivery actors in different countries.</p> <p>Relationships between clients and the company are supposed to be based on personal relationships</p>

# Process Boundaries

<b>Customers of the Process (Segmentation)</b>
1. Clients
2. Products Companies

<b>Triggers for Process (types of Inputs)</b>
1. Client searches for a web site
2. Client comes for real world needs
3. Client comes for virtual needs



<b>Deliverables of Process (types of Outputs)</b>
1. Real products delivered
2. Money paid for the real products
3. Brand reinforcement
4. Money paid for presence

<b>Enterprise Units (which touch the process)</b>
1. Content Management
2. Public Relationships management

<b>External Partners (which touch the process)</b>
● Paying service (shop.onrez.com)
● Delivery Service
● IT Support (electricsheepcompany.com)
● Clients (?)

## Appendix E: Porter's five competitive forces applied to Barokes (qualitative analysis)



The image shows a qualitative analysis of Barokes in the European market. In terms of competitive rivalry, the digram taken from the Wall Street Journal shows that the wine industry is declining in France, which leads us to believe that Barokes might better compete against other functional drink producers. These include companies like Red Bull and Carpe Diem, which have similar products while being more fashionable than beer. The copyrighted can is a distinct advantage in favor of ReyAll, which allows them to gain in product 'mobility', while having lower cost than other bottled drinks. Concerning the customer base of Barokes, targeting airline companies allows selling a smaller amount of products at a greater prices, thus it might be a good opportunity to try to form an alliance with them. A retail company might push Barokes to lower its prices and therefore get a low profit per can. On the logistics side, Barokes suppliers are both an advantage and a constraint for the European market, due to the transport costs and delays in shipping. Finally, the product in itself has a difficult selling point regarding the perceived quality by European consumers.

## Appendix F: Second Life Functionalities: Ideas from Top Web 2.0 Companies

We got inspired while defining the functionalities to applied in Second Life by [Schenker,, 2007]. From the list of Web 2.0 companies we took the best ideas, which we grouped together in order to obtain a list of functionalities mentioned in section 3.

Company	Idea	Application in SL
Seatwave	Sell and buy done by users	Exclusive Zone (Meetings)
Smeet	Teleconferences	Exclusive Zone (Meetings)
Cybersports	Online selling of merchandise, players' ranking	Exclusive Zone (Meetings)
Test Freaks	a global buying guide and owners' community through content aggregation and analysis, wisdom of crowds, powerful search, and wiki	Exclusive Zone (Meetings)
Bragster	Competitions	Exchange Zone (competitions)
CoComment	market researches	Exchange Zone (competitions)
Goojet	Convergence of tools and contacts	Customized view in multiple lang
Wikio	Customization & Info merging. Multiple Languages	Customized view in multiple lang
MyThings	Update of interesting products from retailers	Customized view in multiple lang
Amiando	Organizing tools	Customized view in multiple lang
Zyb	missing link between online social networks and the mobile phone	Follow Up
WooMe	you get to meet five people in five minutes and decide if you have been wooed by any one of them. You can also create your own sessions based on your interests such as "roller blade fanatic in London" and invite people to play with you	Follow Up
Qype	local search service that allows people to share views on everything from the most reliable plumber to the best restaurant	Follow Up