



**The 3D Internet: transforming retailing  
as we know it.**



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**Executive summary**

Social media and networking sites on the Web, such as MySpace and Facebook, blogs and podcasts have all become mainstream – and their usage is growing. Social networking communities are using these channels, but so are businesses – to capture mindshare, target new demographics and build new brands. User and community sites are predicted to account for over half of Internet usage over the next 10 years, and consumers are leveraging these sites to take control of content, consumption and branding.<sup>1</sup>

This social evolution is intersecting with advancements in 3D Internet technology, creating the perfect opportunity for retailers to participate in collaborative retailing. Collaborative retailing helps develop dynamic partnerships between retailers and consumers, and between retailers and their employees. Through collaborative retailing, retailers can join forces with their customers to build and substantiate their brand experience, improve the bottom line and move from low-margin products to high-margin services.

**What is the 3D Internet?**

Typified by virtual worlds such as Second Life, Active Worlds and There, the 3D Internet is a digital environment that enables people and organizations to gather, communicate and work together in a collaborative, open forum. According to IBM research, there is “... incredible potential for the 3D Internet to transform customer experiences, to improve business processes, to enrich commerce and transactions, and to run 3D modeling and simulations across multiple industries and business functions.”<sup>2</sup> For example, in the past, an apparel maker targeting the college demographic would travel to campuses to interview and observe students, to learn what they would wear and buy. Using the 3D Internet, that same apparel maker can engage a geographically wider target audience – without having to travel. The 3D Internet creates a venue for retailers to interact with a vast number of customers in real time – transforming the retailer-customer relationship.



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Highlights

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***By enabling customers to submit their ideas, a retailer can reduce the cost of new product development and accelerate delivery. 3D Internet allows customers to model products.***

***Virtual technology can also reduce product returns by helping customers make the right decision the first time, because it allows them to visualize how products might look, fit or work before they make the purchase.***

International apparel retailer H&M recently partnered with Electronic Arts (EA), a developer of interactive entertainment software, to create an application that allows players to create virtual clothing for the characters in EA's popular game, The Sims.<sup>3</sup> The Sims 2 H&M Fashion Runway software challenges players to design virtual clothes that will be examined by H&M designers, featured in virtual runway shows and possibly adapted for use in a future H&M collection.

**Reinventing the retailer-customer relationship**

The 3D Internet provides a whole new way to interact with customers. It also brings about exciting new opportunities that can help you differentiate your business.

Offer new products and services at a lower cost and risk

Show target customers digital renderings of a new product, without going through production, assuming capital and labor risks, or sitting on inventory that may not sell. Allow customers to design or customize their own products and buy them on your Web site, to help presource and streamline your supply chain. And help increase customer satisfaction—a customer's involvement in designing his or her own product can make the product seem that much more valuable. Virtual technology can also help reduce product returns by ensuring customers have all the product information they need to make the right decision the first time and by allowing you to demonstrate how your product fits into the customer's lifestyle. For example, using the advanced spatial and dimensional features of the 3D Internet, a customer buying a new couch can place the couch in his or her living room to be sure it works—before actually making the purchase.



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### Highlights

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***You can codevelop your brand identity with your targeted audience by collaborating with them on 3D Internet worlds and by monitoring blogs for insight into actual customer experiences.***

***Leveraging existing customer relationships to identify and move into new categories can result in more profitable opportunities for increasing marketshare.***

Capture the customer relationship inside a brand, not just a channel

The retail brand is moving beyond the product set. Traditionally, retailers had complete control and ownership of their brands. Now brands are being influenced and codeveloped by consumers. Consider Starwood Hotels. The company presented a new hotel concept on Second Life and asked visitors for input. Starwood incorporated users' feedback and is now building its real-life hotel based on that input.

Because the Internet is transparent, it's important for retailers to be involved and to collaborate with consumers, both to gain their respect and to monitor online communication about the retailers' brands. If a customer has a negative experience, he or she can post it to a blog, where there's a chance that thousands of people will see it. Retailers need to understand the concept of collaboration and the loss of centralized control, because often blogs, social tagging and 3D Internet experiences happen without the retailers' direct sponsorship or participation.

Foster ongoing relationships and build marketshare

To gain an edge in an increasingly competitive marketplace, retailers need to demonstrate how they add value to customer relationships, and then those retailers need to deliver an extraordinary experience. Established retailers are leveraging their brands and existing relationships with a considerable customer base to move into other categories.

- *Starbucks Coffee Company has ventured into related food products, media, music and movie advertisements.*
- *Carrefour and Tesco offer travel, telecommunications and financial services.*
- *Wal-Mart opens its parking lots to travelers in recreational vehicles (RVs) for overnight stays, and offers healthcare clinics and hair care services under one roof.*



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Highlights

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***The 3D Internet enables you to foster customer collaboration to shape the direction of your entire brand—not just your products and services.***

***Effective collaboration changes the focus of the customer-retailer relationship by placing more value on how you sell than on what you sell.***

- *Home Depot and Best Buy each provide an expanding portfolio of installation and design services.*
- *Costco offers products ranging from cell phones to coffins.*

To satisfy customers' needs and demands around products, information and services, retailers are making the transition from a category focus to a customer-centric, lifestyle and brand perspective. The 3D Internet presents an opportunity for you to engage directly with consumers and boost customer loyalty by aligning your brand with customer lifestyles. Plus, you can foster customer collaboration to help shape the direction of your entire brand, not just your products or services.

Turn customers into advocates for your brand

When customers are fully involved in the collaborative process, they feel more aligned with your brand and ultimately place more value on *how* you are selling than on *what* you are selling—giving you a significant advantage in today's highly commoditized retail marketplace. Using their personal blogs and adding comments to others' blogs, customers can propagate their positive experiences with your company and your brand—without sponsorship on your part.

Pontiac leveraged positive customer experiences with its Motorati Island community on Second Life.<sup>4</sup> In an effort to boost awareness of its brand, Pontiac engaged customers by providing a virtual platform for its cars and car culture in general. The company asked Motorati Island community members to propose car culture-driven events (such as a virtual drive-in movie), and winners were given virtual land to develop their visions. As a result, customers provided free, voluntary advertising for the company by showcasing Pontiac products and Pontiac-branded materials on their own personal blogs and Web sites.



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Highlights

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*You can bring new-generation employees up to speed more quickly by incorporating familiar gaming aspects into training programs to keep them engaged.*

*Before evaluating any platform, it's important to know the business objective for turning to a 3D Internet solution.*

#### **Evolving the retailer-employee relationship**

The generation entering the workforce today learns and communicates differently than previous generations, and these workers expect to have technology tools and resources at their disposal. Businesses can use the 3D Internet to provide immersive training that incorporates gaming aspects to keep people engaged. A recent article in *Fortune* documents this practice. "At J.P. Morgan, candidates can play Fantasy Futures, a virtual trading game in the fantasy football mold, to learn the business."<sup>5</sup> The 3D Internet also allows employees in global companies to share information instantly, voice their opinions and help influence new products, services and internal programs.

#### **Evaluating your reasons for implementing 3D Internet solutions**

Because the 3D Internet is new from both business and technical perspectives, companies need to consider key questions before embarking on an implementation. The most important questions are: What is your business objective for turning to 3D Internet solutions? Will you use the 3D Internet for brand realignment, product development, employee training, new concept testing, a marketing and advertising strategy, or to recruit new employees?

Once you identify your objective and can determine your level of involvement, you can start tackling back-end integration. Do you join an existing virtual world, such as Second Life, Active Worlds or There, or an existing location within that site? Or do you build your own 3D Internet platform? Different platform options each have different benefits, ranging from who owns the assets to the demographic of the current user community. And it's important to weigh the pros and cons of each platform against your business objectives.



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Highlights

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*With experience in successfully implementing solutions for companies worldwide, IBM can support you through every aspect of your 3D Internet strategy.*

**3D Internet solutions from IBM**

IBM views the 3D Internet as an evolution of both the Internet and multichannel retail strategies. From planning and design to implementation and hosting, IBM provides solutions to support you through every aspect of your 3D Internet strategy. And IBM can integrate your 3D Internet solution with the rest of your organization to enable true multichannel retailing.

IBM has successfully implemented 3D Internet solutions based on resilient, reliable and scalable technology for companies worldwide. In addition, IBM is investing in the 3D Internet community by working to develop technology standards to help ensure its proper growth, drive integration with existing systems, encourage connectivity across virtual world platforms and enable businesses to use this emerging technology to fuel growth. IBM digital convergence solutions can help you embrace the evolution of the 3D Internet and help you engage directly with consumers and suppliers to advance your business.

**For more information**

To learn more about the 3D Internet and digital convergence solutions from IBM, contact your IBM representative or visit:

**[ibm.com/software/info/ibmtv/play](http://ibm.com/software/info/ibmtv/play)**

or

**[www.research.ibm.com/virtualworlds](http://www.research.ibm.com/virtualworlds)**



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