CHAPTER 2

LAYING THE FOUNDATION FOR YOUR BUSINESS

In this chapter we'll discuss some of the most important business essentials that you'll need to understand to get started down the road to a successful and profitable *Second Life* venture. First we'll cover choosing which kind of operation to run, and then we'll look at some of the financial basics, such as cashing out your Linden dollars balance and keeping track of and paying taxes on your profits. The chapter will also cover some fundamental considerations like using notecards, landmarks, and permissions. We'll finish with four sample business plans from people making their full-time living in *Second Life*.

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SETTLING ON A BUSINESS CATEGORY

The very first thing to do once you've decided to start a *Second Life* business is to figure out what category you're going to try. Will you be a fashion maven? Are you interested in developing and renting or selling land? Or do you want to design futuristic cars?

Especially if you're fairly new to *Second Life*, settling on exactly how you want to make money may not be an overnight process. In fact, some of the most successful business owners caution specifically against that.

Before you get set on selling cars or selling specialized furniture or developing land, you may want to try a number of such endeavors to see what really fits your sense of style, your skills, and your business sense.

"I'd suggest that in the beginning, they try many things," says Twiddler Thereian, whose Taunt Hair Shack is one of the best-known purveyors of hair in *Second Life*. "Try making fashions, try making hair, trying making shoes. Try making buildings, and see which of these activities they both enjoy and feel they can make a few dollars at. I've had one or two people come to me asking how to make hair, and a few months later they are making bank in jewelry and they write me, 'I hated hair. I am so glad I tried jewelry.'"

In other words, don't be afraid to fail. It's much better to discover early on that you've gone the wrong direction and that you're not having a good time than to put a great deal of time and money into the project and *then* realize that it's not working.

Finding your niche is key, and before you can be successful, you have to be able to identify what you're good at, what you enjoy creating, and ultimately, what gives you the best chance of turning a profit. After all, that's the point of this, right?

"You aren't going to last long if you don't enjoy what you do," Twiddler says. "You don't have to love it but you should test the waters and see what works best for you."

Of course, another component of deciding what business segment to go into is seeing whether you can compete. There is no shortage of people selling ball gowns or boots or that special hat you think you can sell a million of. So if you want to enter an established field, consider how you would be able to raise the bar and innovate. Think about it from a would-be customer's perspective: she has a ton of choices, so why should she choose your products?

Moopf Murray, who has built a successful business selling roller skates and vending machines in *Second Life*, thinks it is possible to enter into a well-established category, but says you must be careful. And most importantly, don't try to underprice the people you're going to compete with.

"I'll only compete with an existing product if I feel that I can substantially push the functionality forward," Moopf says. "There's two reasons for that. It's an accepted fact of life that you don't solely try to compete on price—that's not a strong, unique selling point. And pushing a product substantially forward also makes it more difficult for it to be the subject of competition as the barrier to entry is [now] higher."

It's fine to try to compete for business, but make sure you're clear on how you're going to attract customers, especially those who have developed loyalties to others. So if you're going to make shoes, develop a style that no one has seen before. If you're going to be a land manager, then find a new and beneficial way to meet your customers' needs.

Most important, you won't be able to distinguish yourself if you don't spend a reasonable amount of time researching your would-be competition. It may sound elementary, but *Second Life* is a big place, with hundreds and hundreds of businesses, many of which are hard to find. So, be prepared to spend as much time as it takes—it could be a day, or two days, or more—researching who your competitors are, what they offer, and how often they add new products.

You'll have to divide your research time between *Second Life* itself and the Web. In-world, familiarize yourself with the Search tool and try out different keywords as you look for competition. When you find a competitor you like, don't be afraid to talk to that business's customers about where else they like to shop. And talk to the owner. In *Second Life*, many business owners are happy to share their wisdom with you even though you may soon be trying to steal their business.

Online, meantime, be sure you spend enough time looking at the websites for some of the more-established competitors. Often their sites will showcase many or even all of their products, and that will give you the best sense of what you're going up against.

On the other hand, if you have identified an entirely new genre of *Second Life* business, kudos to you for coming up with an original idea. But although you may not have to compete with anyone directly, you will still need to establish yourself and convince *Second Life* residents that they want to spend their Linden dollars on what you have to offer. That means marketing your products or services, finding the right place to set up shop, producing an always-evolving inventory, and being as responsive to new customers' needs as possible.

But we'll get to these things later. Many chapters in this book discuss marketing techniques tailored to specific business categories, like fashion or building, and Chapter 3, "Developing a Winning Marketing Plan," focuses on general marketing strategies.

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DEALING WITH CASH FLOW

It hardly needs to be said that if you're going into business in *Second Life*, you want to make money. And while it's exciting to have a lot of Linden dollars, you probably are going to want to turn at least some of your earnings into cold, hard cash. First, though, you need to know how your money is going to come in and how you'll collect it.

It's fairly simple, though everyone's system varies. Essentially, when you make a sale, you receive the Linden dollars in your *Second Life* account. As sales accumulate, so will your Lindens total. When you're ready to cash out some of the Lindens, the easiest way to do so is through the official *Second Life* currency exchange, the LindeX (see Chapter 1, "The *Meta* of the Metaverse").

RESIDENTS SPEAK

SOL COLUMBIA ON SUCCEEDING IN BUSINESS IN *SECOND LIFE*

🔶 **Don't expect instant success.**

🔶 **Consistency and just keeping at it will produce results. If you make quality items, you will get noticed and do well. It just takes time.**

🔶 **To do well in business in *Second Life*, pick a product that people will buy over and over, not just once, such as clothing, hair, skins, and fashion in general. People don't buy a new couch very often, but they buy lots of clothes.**

🔶 **Get involved in the sector's community in which you have products. Use blogs and advertise in *Second Life* news sites and anywhere people who care about *Second Life* go.**

🔶 **Don't take each sale too seriously. Remember you're dealing with pennies in most cases. So don't stress, and help customers out as much as you can.**
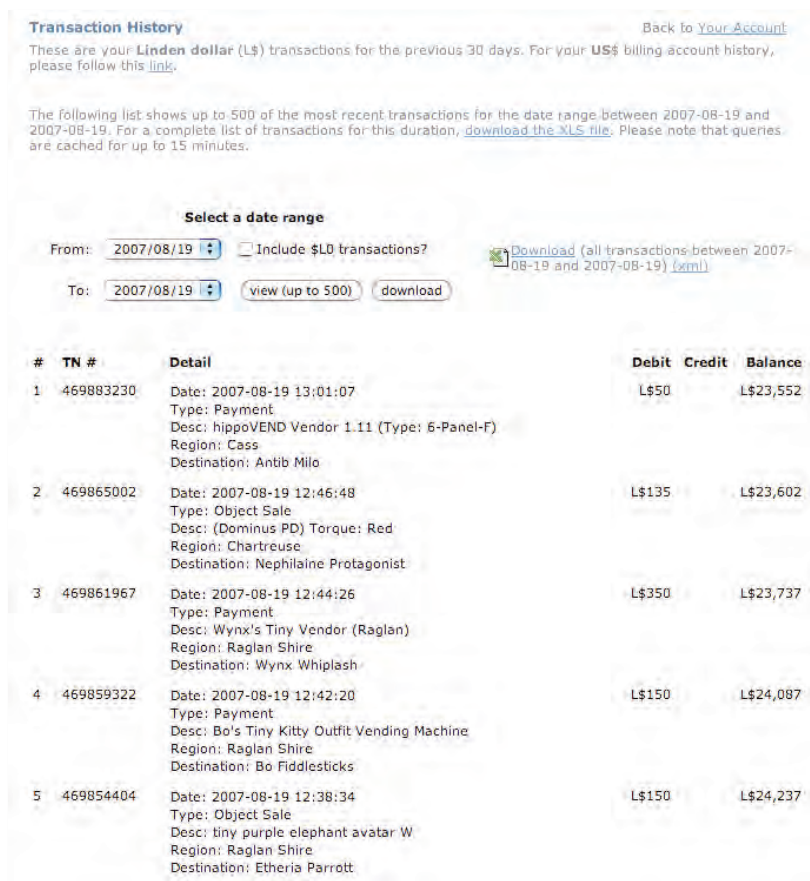
TAXES AND ACCOUNTING

Once you open your business and begin earning income, it's time to start keeping good track of the money you bring in. Partly, that's because you'll want to know exactly how much is coming in and how much you're spending, as that's just a good idea in any venture.

But perhaps more importantly, your government is going to want its share of your earnings—all *Second Life* income is taxable—and you'll need to know exactly how much that is.

ACCOUNTING

In an economy where many merchants are paid in both US dollars and Linden dollars, it can get somewhat tricky to keep accurate count of your cash flow. Fortunately, the *Second Life* transaction history (`https://secure-web9.secondlife.com/account/`), which you must be logged in to see, will show you every bit of Linden dollar economic activity on your account within the last 45 days (Figure 2.1).

Figure 2.1: **Second Life's Transaction History will show you all the purchases and sales you've made within the last 45 days.**

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It's imperative that you keep track of this data—and that you maintain these records for the future, as well as figure out the US-dollar equivalent of your Linden-dollar transactions. To maintain the highest degree of accuracy, you'll want to track that number at the time of the US-dollar/Linden-dollar exchange in question. And, because only 45 days' worth of transaction history is provided, you must be sure to track the data at least that often.

The transaction history won't, of course, tell you anything about economic activity that takes place outside *Second Life*'s systems—such as US-dollar payments for land rental or for completed custom building projects—so you'll need to stay on top of that history as well.

Many people involved in the *Second Life* economy use PayPal for such transactions, and that's good for a number of reasons, not the least of which is that PayPal can provide you with a recent history of cash flow (Figure 2.2).

Figure 2.2: PayPal can provide you with a list of all your recent transactions—a useful thing when keeping track of your business's cash flow.

Once you've gathered all your data, you'll need to keep track of it in a way that can show you, at a moment's notice, what's going on economically with your business. How you do that may depend on the complexity of the situation. If it's not all that complicated, then you may be able to use a simple spreadsheet to keep track of sales and income data. If you think a homemade spreadsheet won't cut it, consider using accounting software such as Quicken.

Many business owners, when they're ready to cash money out, use the LindeX to convert Lindens to US dollars, and then transfer money from the LindeX to a real-world bank account via PayPal.

■ TAXES

Although running a *Second Life* business revolves around a virtual world and a made-up economy, you need to report your income and expenses—both those that were directly in US dollars and those that were converted from Linden dollars—as self-employment income.

But because U.S.-based *Second Life* publisher Linden Lab won't be sending you a 1099 (non-employee income) form, it's crucial that you keep track of your cash flow as described in the preceding section. Then, when filing your taxes, you will need to report Schedule C, Profit or Loss from Business (Sole Proprietor), income in the United States. In Canada, self-employment income from *Second Life* is reported on lines 135 to 143 of the T1 General Return.

The best way to deal with the taxes may be to use software like TurboTax or H&R Block's online tools. That way, you can simply plug in the numbers you've accumulated with your accounting tools, and the tax software will figure out what you owe or are owed.

TIP

Well-known Second Life *builder Foolish Frost suggests setting aside a portion of your income each quarter, say 20 percent, to account for the taxes you will owe. Of course, you'll want to consult a tax professional to figure out the exact numbers, but it's much better to set money aside as you go than have to come up with it all on tax day.*

Further, self-employed people in the US must file quarterly taxes. Consult the IRS (in the United States) for more information on quarterly payments (`www.irs.gov`). In Canada, consult the Canada Revenue Agency (`http://www.cra-arc.gc.ca/`) for questions related to self-employment and sole proprietorships, or visit the CRA's website on the topic (`http://www.cra-arc.gc.ca/tax/business/topics/solepartner/menu-e.html`).

Additionally, if you have anyone working for your *Second Life* business, you need to account for their income and report what they made. That means—in the US, at least—

you'll need to send each of them 1099 forms in January stating what they made during the year, and you'll need to report that income to the government.

One complication to all this can be Linden-dollar payments to contractors. For example, many business owners use Linden dollars that come in from sales and pay their employees with those monies. Linden-dollar transactions are not (yet, at least) officially tracked. But to be on the safe side, it's worth reporting that income and those payments to the government, even if you find that you can get away with not doing so.

Finally, if you have people working for you, it's highly probable that some of them will be in other countries. That's another place where a service like PayPal can come in handy. Kim Anubis, for instance, pays her UK contractors through PayPal because it means she gets records of the payments in US dollars, and the contractors get paid in their own currency.

TAKING ADVANTAGE OF *SECOND LIFE*'S AUTOMATED SYSTEMS

Second Life has a number of automated systems, and using them effectively is a necessity for any successful business. So it's in your best interest to understand them, or at least know what they are, from the get-go rather than trying to catch up with them later on.

VENDOR SYSTEMS: THE KEY TO EASY SALES

In a sense, a *vendor* (Figure 2.3) is just a functional part of a store. In a real-world store, you would have merchandise displayed on shelves, and a customer would pick up the item they want, take it to the cash register, and the salesperson would ring them up. But in *Second Life*, it's more like shopping on the Web, in the sense that the actual purchase is almost always self-serve. A vendor is the mechanism for that.

There are lots of different styles of vendors, but the bottom line is the most important part: a vendor is a scripted device that displays merchandise or, at the very least, a selection of the names of merchandise, and allows a customer to select an individual item and purchase that item. The vendor script accepts Linden dollars from the customer, deposits them in your account, and then triggers the delivery of the purchased item to the customer's inventory. The final step in that automated process requires the customer to acknowledge that they want to purchase the item and accept receipt of it.

*Figure 2.3: Vendors make it possible for **Second Life** businesses to sell items automatically, either at one store, or at many.*

There are many different kinds of vendors. Some are free from places like YadNi's Junkyard, or you can search for them on `http://slexchange.com/` or OnRez (`http://shop.onrez.com`; see the following section). Ultimately, the best idea is to do some comparison shopping and see what features you might want.

A free vendor is likely to be suitable for someone starting out, because it can handle the basic requirements of sales transactions. But what might make a vendor something you'd want to pay for is better ease of setting up, and also a better experience for your customers. The more you are willing to pay, of course, the more features you're likely to get, and the better it will work for your customers.

Complex vendors might include features like networking, which would allow you to link vendors in multiple stores so that when you want to add new merchandise to your offerings, you have to do it only once from a central location.

But regardless of whether the vendor you use is free or not, you'll need a little know-how to set it up. Most require understanding notecards (which I'll cover in a moment). Many vendors look like an ATM or a computer; they display what looks like a screen where you can see the item, as well as some text describing the item, and some sort of simple interface that lets the customer make their purchase. But many other vendors are simply scripted to attach to what appears as a poster on the wall or to items on a stand.

Ultimately, setting up your stores to sell your products can be time-consuming, and one of the most important elements of that is how you use your vendors. The better the system, the easier it will be to set prices, add items, and make it easy for customers to buy things.

USING SL EXCHANGE AND ONREZ

While a significant amount of your business may well be conducted in your store, you can also hope that your customers will buy your products or services through the two main *Second Life* product aggregators, SL Exchange and OnRez.

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These services allow *SL* merchants to sell their goods via centralized websites. And because many residents know that they can search for specific kinds of items on these sites, they often choose to do their shopping there rather than visiting store after store in-world. In addition, both services allow merchants to set up in-world kiosks that customers can use to search for the items they want. However, when customers want to buy something, they still need to do so through the websites.

To sell things through SL Exchange or OnRez, first you need to set up a verified account. Then you get a free vendor box from the site. You have to rez it in-world from your inventory and put it in a place where it can stay. So it has to be on your own land, or on a place where you have permission to keep it.

In your free vendor box you place one copy of each item you wish to sell. Once you've done that, you can go back to the SL Exchange or OnRez website and finalize each listing for each item. That means adding a picture and some descriptive text and perhaps a link to your blog, or your own website, if you have one.

However, getting set up to sell on SL Exchange or OnRez is not something you should expect to be able to complete in a day. It's a complex process. Look at their websites for help on how to complete setup, and if you're having trouble, ask for assistance from someone who has succeeded at it. Both services offer in-world help, as well, at their respective headquarters.

◾ WORKING WITH NOTECARDS

A *notecard* is simply a way of handing out text, as you would a brochure or instructions for something you would sell in the real world. For a *Second Life* store, a notecard might include things like policies, who to contact for customer service, information about other stores you might have, and even images or landmarks (which I'll cover in a moment).

To create a notecard, open your inventory and choose Create ▶ New Note. Once you've created the notecard (Figure 2.4) and saved it, you'll see it show up as a new note in the Notecards folder in your inventory. To rename it, right-click it and choose Rename. To add a notecard to a vendor, drag and drop the notecard into the Inventory folder of the item you're selling.

Figure 2.4: A notecard allows you to explain instructions, policies, and anything else you want to a potential customer.

Again, this is complicated stuff and you will want to experiment with it before opening your store.

NOTE

There's very little control over formatting, but notecards are a key way to give your customers information about your products or your store. If you're creating a notecard and you want to add a landmark or a picture of the outfit or object, you can simply drag and drop either of those things from your inventory's Landmarks folder or Photo Album folder onto the notecard.

■ USING LANDMARKS

As mentioned previously, you can add landmarks to the notecards that you give your customers. This is important because it allows your customers to look at the notecard days or months after they've received it and see where your store is. Otherwise, they may not be able to remember, and might not be able to find you again. And if that happens, you're losing sales.

It's also worth putting a landmark in the folder the customer gets that contains the item they've bought, in addition to in the notecard, because you can't assume a customer will look at the notecard, much as you can't assume someone is going to read the manual for a product.

Figure 2.5: By adding a landmark to a notecard or an item's inventory folder, you ensure that your customers can find you again.

To create a landmark, go to the exact location where you want people to arrive—whether that's standing in the doorway of your shop facing inward or directly in front of an item that's on sale. Then go to the World pull-down menu and click Create Landmark Here. You'll see the landmark open up on the screen, showing you the option to teleport or show on map (Figure 2.5). But that landmark will also show up in the Landmarks folder of your inventory.

The default name of a landmark is the place name, the sim name, and then the map coordinates, as shown in Figure 2.5. But you can go to that landmark in your inventory and rename it to anything you want. That's a good idea if you want to make it obvious what it is a landmark for, like your store.

You can take that landmark from your Landmarks folder and drag and drop it into the folder of an item you're selling, a notecard, or even a group notice. The latter can be useful for alerting update group members of a sale you're having, for example (see the "Update Groups" section of Chapter 3, "Developing a Winning Marketing Plan").

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■ PERMISSIONS
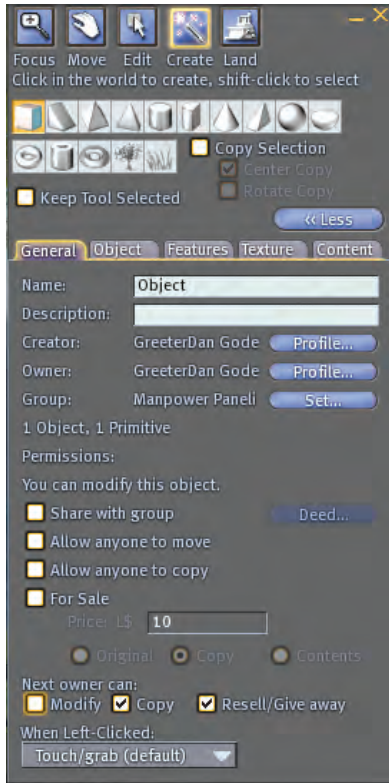
Figure 2.6: This dialogue box allows you to set the permissions for any item you create.

If you make something, you can choose what the next person who gets it can do with it. This is called granting *permissions*, and which permissions you grant can have a big impact on your business.

Permissions govern whether a person can copy, modify, or transfer your creation. For example, if you set permissions for an item to Copy, No Modify, and Transfer, you allow the buyer to copy the item and to transfer it to someone else, but not to modify it.

Since in theory every single avatar in-world can be a different size, people who sell fashion items very often sell them with modify permissions so that buyers can fit the items to their avatars. When you sell something with modify permissions, it's most often paired with copy permissions so that any modifications can be done on a copy, and so that if the buyer makes a mistake in their modification, they can start over.

Increasingly, customers are requesting items to be sold with transfer permissions so they can give them as gifts. For instance, if you're selling statuary or trees for a garden, you might set one price for a tree without copy permissions, and a higher price for the same tree with copy permissions. If you grant copy permissions, people can landscape their whole garden with that one purchase.

Ultimately, the idea is to see what makes the most sense for your item and your store. So look at similar businesses and see how they've set their permissions. It's crucial that you choose the right combination of permissions (Figure 2.6), as it's one of the things customers care the most about, largely because it determines how they can use the item.

WARNING

If you grant copy and transfer permissions for an item, be warned that a buyer can make multiple copies and sell them.

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# BUSINESS MODELS: THE KEYS TO SUCCESS IN *SECOND LIFE* BUSINESS

Many people think that running a business in *Second Life* is a game, and that it's possible to succeed by just taking a stab at it. Nothing could be further from the truth. In fact, successful *Second Life* businesses are well thought out and often meticulously planned. And the people running them know a great deal about what they're doing.

It's not that they necessarily knew everything going in, of course—many learned a lot along the way. But most successful *Second Life* business owners have a plan, and they follow it. And while every one of those businesses is run differently, there are many similarities that distinguish the successful operations from those that don't make money.

The remainder of this chapter consists of sample business plans from leading entrepreneurs—all of whom earn their full-time living in the virtual world. The business plans cover the four most profitable segments of the *Second Life* economy: fashion, real estate, building, and the adult industry, but the principles can be extended to almost any other field. No matter what your business goals, the four business plans that follow can help you get started.

FASHION: SHIRYU MUSASHI OF MUSASHI-DO

Figure 2.7: Shiryu Musashi's Musashi-Do specializes in men's and women's fashion, often with a Japanese flair.

Shiryu Musashi runs Musashi-Do (Figure 2.7), a leading purveyor of women's and men's fashions. His styles are distinctive—often with a Japanese flavor—and he is known as an innovative designer with a cultured aesthetic. Here is his sample fashion-industry business plan.

1. **Define your target as precisely as possible**. Pick a gender to focus on, an age range, a social group, even a niche, if that's what you find fitting.

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Women's fashion has stronger initial sales, but competition is much fiercer. In the men's fashion market it is harder to reach widespread recognition, but it's easier to grab a consistent slice of the market when you get there.

Subcultures [like furries, Goreans, etc.] are also sometimes easier to target, but they require good knowledge of their traditions and styles to succeed, so be prepared if you go that way.

2. Once you've defined your target market it's time to **begin working on your product range**. Initially, try to stick to the style that's most appropriate to that target as strictly as possible. That will help in developing your brand identity and help your customers identify your shop with what they need. It's much easier to remember "*X* sells tuxedos" than to remember "*Y* sells clothes." You'll have time to differentiate your range of products later, once your brand identity is settled and solid.

3. Once your initial range of clothes is ready—you'll need at least 10 items before thinking about opening a decently sized shop—you'll need to **set your prices**. This is where your choices about a target social group comes in. If you target oldbies— experienced residents that have been on *Second Life* a while—you'll be able to set higher prices. They have more money available, and are willing to spend a little more [on quality] in dressing their avatars.

Of course, you can target experienced residents and people with a lot of money to spend only if you are very confident in your skills. If you can't offer top quality, then you might want to choose a little lower target and price range until you get better.

4. Now that your inventory is ready, you have to **build and open yourself a shop**. An ideal situation is an already established friend willing to offer a corner in his/her shop. That would give you a big advantage in initial visibility and will make communicating your brand much easier. But that's not always possible, so also think about having to start from scratch.

Avoid placing your first shop in a mall. Malls are too confusing, and even if they can give you an initial spur in visibility, they will choke your brand identity between tens of others, and your recognition will suffer in the long run.

Assuming you're going to start small, get a nice shop space in a good-quality commercial district that fits your target market. First, though, scout them all, and find the one that looks the best to you. It doesn't need to be big, but it has to be nice. Don't be afraid of using lots of time in designing and building your shop; it's very important to offer a nice and pleasant shopping environment to your customers.

Also put your clothes for sale on web portals like SL Exchange and OnRez. They're very good ways to reach customers that don't know you.

5. After your shop opens it's time to **think about marketing**. Many beginning designers think that advertising in *Second Life* isn't needed; that *Second Life* is some sort of marketing heaven in which everyone will notice their talent automatically. This isn't true. *Second Life* is a shark pond in which the competition long ago became extremely fierce. Without the right advertising your brand will not be noticed, and your venture will fail.

Post your grand opening and every product release in the Classified sections of all the *Second Life* forums you can find. Also send copies of your clothes to the owners of *Second Life* fashion-related blogs and magazines. Hopefully they'll notice you and begin blogging and writing about your fashions. That will raise your visibility dramatically.

If you have enough time, start your own blog and subscribe it to a site like Fashion World of SL (`http://fashionplanet.worldofsl.com/`) that aggregates the latest postings of dozens of blogs, then post about every new release in your shop.

When your budget begins to get bigger, you can think about placing paid ads and banners on websites and on fashion-related magazines.

6. **If possible, never photosource**. Paint your clothes yourself. People will recognize your creativity and will reward it. Photosourcing basically means stealing someone else's creativity and using it to earn money. If you avoid that your brand will seem professional and creative. It's not important if initially your painted clothes aren't perfect. They are the fruit of your imagination. This is, basically, what makes you a designer.

■ REAL ESTATE: ADAM ZAIUS OF AZURE ISLANDS ESTATES

*Figure 2.8: Azure Islands, which is run by Adam Zaius and Nexus Nash, is one of the biggest real-estate businesses in **Second Life**.*

As the successful co-owner of Azure Islands (Figure 2.8), Adam Zaius is one of the largest land developers in Second Life. *Here, Adam shares a basic business plan for setting up and starting a new* Second Life *real-estate business.*

1. **Work out your target market**— niche markets [like Japanese- or Goth-themed] are significantly easier to start in than the main market.

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However, niche markets can be small, so the size of your planned estate will strongly influence which markets you should target. You should have been in *Second Life* for at least a few months by now to understand the nature of these niches and all the key factors in running an estate.

2. **Plan out your estate**. If you are designing a larger estate you will likely need some assistance on the art side of things, so make sure to lock down a tight design document that you can hand out to potential contractors. Get at least three quotes and make sure to look at prior work before settling on a designer.

3. **Arrange your finances**. Some credit-card providers do not like carrying large positive balances on credit cards and have issues when processing large payments in these circumstances. The best option for buying land is to use a wire transfer, which Linden Lab is happy to arrange on larger transfers. Create a PayPal account—most users prefer to use PayPal or Linden dollars to pay for their tier fees, and PayPal integration with Linden Lab's billing system allows for some convenience. Having a separate account with your estate's finances makes it easier to track your position and makes taxes and accounting a lot easier to manage.

4. **Go buy some sims**. Find a nice spot on the land store map where there isn't much around. If you cannot find a spot large enough for your planned estate, contact the Linden Lab Concierge and they can arrange an area for you. You will want to take advantage of the reservations system to plan out future growth area and keep your estate isolated from its neighbors.

5. Initially, new sims will take you a while to design or build. When we started it took around seven days to **get each new region designed**. These days it's closer to three hours. I'd probably write off your first month as a miscellaneous expense while you get things built. If you hired contractors to assist you, they should have started before you got your first sims delivered (most of the major ones have their own development regions which they can work in). The average sim delivery can take up to two weeks, so get as much of this done during this time as possible.

6. **Write a covenant** which explains the rules and acts as a terms of service for your estate. It should include information such as when payments are due, how much leeway you give on late payments, and what happens when a payment is late. Make sure to include terms covering removal from the estate for violating said covenant and any kinds of refunds given. It is also worth listing your tier (subscription) prices and support contact details.

7. **Launch.** Put up a classified ad or two and list your estate parcels in the land directory. Keep careful logs of everything that happens for future reference, and make sure to keep a backup of this. Put in place some protections so that if you are incapacitated for a period of time, someone else can take over and manage your estate temporarily.

BUILDING: INSKY JEDBURGH

If you've been around Second Life for awhile, there's a very good chance you've seen Insky Jedburgh's castles (Figure 2.9) somewhere. Insky sells both prefab and custom castles, and since he began his business, he has become one of the most successful builders in the virtual world. Here's his sample building business plan.
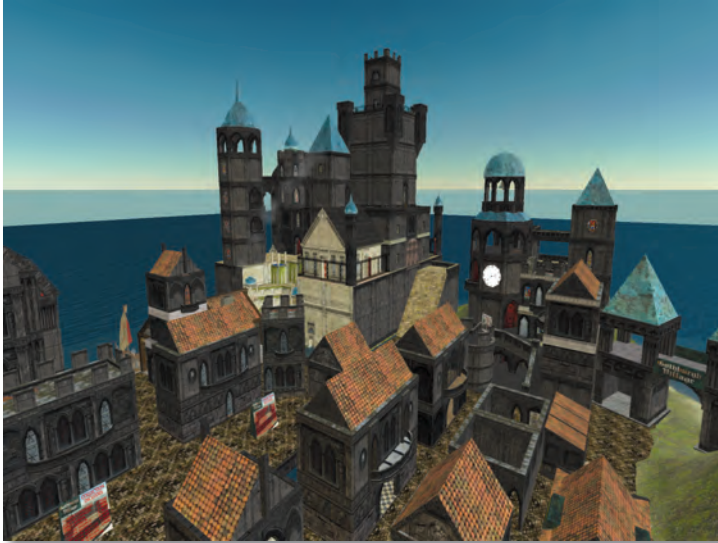
Figure 2.9: Insky Jedburgh's prefab and custom Gothic castles are well-known throughout **Second Life.**

1. **Purchase and acquire building supplies**. Before setting out to build, it is good to have a few basics in your inventory to help you make a nice structure.

   The number-one set of items to have is textures. They can make or break the appeal of your builds. You can buy textures at texture stores in *Second Life* or in some cases find free collections online that you can then upload to the virtual world.

   Deciding what style of builds you are going to make will help determine which texture sets you will purchase. One good set is all you need to start. Ideally, it should have wall, floor, ceiling, roof, trim, and door textures all in one set. But often, you will have to find each of those kinds of textures in different sets and match them.

   Other items you may want to consider are door scripts, or prefab doors. Later on, more elaborate things like shower and hot tub systems, pose furniture, etc. might be worth adding. Or, you can create your own.

   Textures and doors should be full permissions (modify/copy/transfer) to allow you to sell your finished product without any problems.

   Finally, for very large builds, it's a good idea to have some kind of rezzing device like Rez-Faux (`http://www.slexchange.com/modules.php?name=Marketplace&file=item&ItemID=65607`) to help you not only rez a huge build, but maneuver it as a whole, and package it for sale.

2. **Create some stock to sell**. First, find out what you like building. If you like building a wide range of structures, great, but if you prefer sci-fi, medieval, industrial, or modern, focus on that style, and perfect your skills in that style of design.

Most of all, build something. People will want what you can make once they have seen an example or perhaps bought something from you. Build to match all types of use. Some people will want huge buildings to fill their sim, others will want one that fits a 512-square-meter parcel. A range of building sizes and prim amounts will foster more sales.

3. **Provide information with your products**. People want to know a few things before they buy, and even after they have purchased, your build. I include basic information like how many prims are in my build, what the footprint of it is (like 20x20 square meters), what permissions the purchasers will get (i.e., modify/copy/no transfer), and of course the price.

For products that come in a rezzer, instructions on setup should be included; instructions for lockable doors are good to include. Often, those products, if made by others, will have instructions you can copy and paste into your own.

I create a notecard with all the info about the build in it. I include pictures, instructions, a landmark to an example of the product or my store, all the stats (prims, footprint, permissions, cost, etc.), and a description of any special features of the build. This notecard will become useful for the next step.

4. **Advertise your builds.** The biggest task of selling what you make is making people aware that it exists. *Second Life* provides a Classified-ad service in the search window. It has a weekly cost, which is L$50 minimum per week. Paying more will get your listing higher up the list, where it might be seen by more people.

There are also marketing websites that will sell your prefabs, like SL Exchange and OnRez. Finally, using your Picks tab in your profile will help people find your prefabs or services.

Using the information from your notecard in the last step can really help in creating ads on all these services.

Any or all of these options will increase your chance of connecting to the right customers, but you need to use them to their fullest advantage. One of the single most effective ways to help people that want your product to find it on the classifieds or market sites is *keywords*. This is basically a list of search terms that people might use to find a product like yours, from descriptive words, to activities, to style. Keywords should be included in the body of your product description text on classified ads, and on marketing websites. Create a section with just a list of words that might attract the searches of your preferred customers.

Any extra attention-grabbers you can add to your advertising, like nice pictures of your products, or even machinima [video made in-world] of your products will help increase the sense of value. Always include at least one picture, as people like to see what they are getting.

5. **Get some land for a store.** Whether you buy it or rent it, having a store and display area is essential for getting people to seriously consider buying your builds. Land should either allow commercial activity or be no-covenant land so that you can sell freely. Even space in a mall for a couple vendors will be a huge aid to selling your product.

If you set up demonstration models of your builds, do not furnish them unless the furnishings come with the build, since people will often think they are getting more than they actually get when they see so much stuff in a display.

Have good signage at your store that gives all the critical information, whether that signage is on a vendor, or on prims nearby.

6. **Get a vendor.** If you have a store of any kind, a vendor will be a real help in organizing and selling multiple builds from a single point.

When you advertise your store, make the landing point near the vendors, or make it obvious where the vendors are in display areas. There are many kinds of vendors you can get; some are stand-alone and contain the products in their local contents. Others are linked to a server—a prim with your products in its contents that updates multiple vendors—so that you can have multiple vendors at different locations selling the same thing. And some are even linked to online market websites like SL Exchange.

Vendors help streamline your inventorying process, and give your customers an obvious place to make a purchase. Some even allow you to control the vendor network from an online website outside the virtual world.

As you expand, networked vendors become the obvious choice since making changes to products in the server automatically updates to each of the many vendors you may have out, saving time running around.

7. **Custom builds.** People may want you to design a build for them specifically, and this requires coming to some agreements. Besides having a floor plan you both agree on, you need to establish whether this build will be "one-of-a-kind" or something you can make into a prefab for multiple sales after the job is done.

One-of-a-kinds should be more expensive to make up for some of the potential extra revenue a prefab would get you. For example, I built Fizzdrake Castle with the understanding that I would be selling copies of the original as prefabs. I sold the copies at a lower price than the original, and at first it seemed not to be making much money.

CHAPTER 2

🔶 Settling on
a Business
Category

🔶 Dealing with
Cash Flow

🔶 Taking
Advantage of
Second Life's
Automated
Systems

🔶 Business
Models:
The Keys to
Success in
Second Life
Business

But over almost a year, it has made thousands of US dollars in sales. I could never have sold a one-time build for as much money as I have made selling it repeatedly at a lower price.

This should be a factor in your pricing of building services when doing a custom build. When negotiating such a contract you should have clearly established how many prims the buyer wants in the build, how much area it will take up, a basic floor plan you both agree on for the design, and what if any furnishings, etc. will be going into the build at your expense. It is inevitable that as you build they will request new changes to the design, and it requires a fine balancing act to keep those changes and reworks to a minimum and keep your client happy too.

8. **Customer-service policy.** People will have all kinds of issues, from *Second Life* malfunctions wrecking their buildings, to rezzers not being properly used, to them simply trying to modify a prefab and destroying it.

Be prepared to have a customer-service policy to follow up on these kind of things. If you are going to charge for house calls to make repairs, be up-front about the costs and work you will do.

Many people just need information, so have your information notecards ready for that. Include "all sales final," if needed, on all advertising. If you have made a mistake in packing a rezzer or putting a building together, get an update out to your customers as soon as you can. Word of mouth will work wonders for your business, and many people want to know that someone will back them up if they lay down money for a product.

If your buildings appear whole and attractive, people will click on them to see who the creator is, and then click on your profile. That may well be another customer in the making.

▪ THE ADULT INDUSTRY: NYTESHADE VESPERIA OF XCITE

Not everyone in Second Life *participates in the adult industry, obviously, but many, many do. And for those who do, Xcite (Figure 2.10) is a household name and one of the leading creators of adult goods. Its co-owner, Nyteshade Vesperia, agreed to share her sample business plan.*

1. **Decide if you *really* want to be in the *Second Life* adult business.** The adult industry is not always a very good place to be. Hazy legal standing, ever-changing Linden Lab policies, social stigma, and outright hostility from certain segments of the population—all these things contribute to making the adult industry something of a minefield that must be trod carefully.

Figure 2.10: Xcite is one of the leading adult-oriented businesses in **Second Life**, *and one of its most profitable ventures.*

If you want to be successful, the adult industry is as good a place as any to be. If you want to be famous, you might want to choose a more socially acceptable market.

2. **Have something worth selling.** It sounds obvious, but apparently it's not. The adult industry is chock-full of people who simply build what other people are already building, or who outright steal other people's ideas and figure by underselling they will get ahead. They certainly may make some sales, but all they will ever be is a knockoff.

If you want to succeed you need to own your market, and that means coming up with an idea that fills a previously unserved niche, or creating a new market and then serving it. Adding to an already flooded market will not get your brand recognized and will ultimately be a waste of your time and resources.

3. **Get Organized.** Take a moment to realistically look at what your talents and abilities are and determine where your energies will be best spent, and where you may need some help.

Does your planned product or service involve programming? Graphic design? A special sales methodology? If you can't fill all of your own needs, get some help and get it early.

Also be realistic about your time commitment to this project, as well as the time commitments of any partners you may have. Your success may require you to dedicate a significant amount of time, energy, and resources—so, do you have them to give?

Finally, do not think that your business ends with simply making product. Customer service can make or break your business's reputation, so will you have the resources to handle it?

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A solid infrastructure, such as sales tracking, expenses tracking, vendor technology, customer communication paths, etc. may mean the difference between fast, easy solutions and a lot of extra work. Know what your business is going to need at every step of the way and don't set yourself up to get overwhelmed or caught off-guard.

4. **Build It.** Design it, build it, refine it, test it, test it again, beta-test it—no, *you* cannot beta-test your own items—fix it, and test it again. Just do what it takes to get it right.

   Keep good revision notes at each stage to save yourself trying to rethink your steps later. Set goals and stay on target. Don't get sidelined by shiny nifty new projects that ultimately will only distract you.

   Finally, have a development list that makes sense given your abilities and resources. Know where you are going before you get there—control your path; don't be led down it.

5. **Buy some land.** Building your brand should be your focus, and one of the best ways to do that in *Second Life* is to build a presence with which your brand will be associated. This can only really be done effectively on your own land, over which you have creative and security control.

   Land ownership also allows you to list your business in the Search tool with keywords of your own choosing, and can be the staging point for events and activities that will draw interest to your products.

   It is generally a good idea to supplement your main store with well-placed vendors in a variety of targeted locations around the grid. But using these alone does very little for building your brand's identity and gives you very little control over your business's destiny.

   And don't get suckered into renting or leasing land. If you don't own the land you don't control it, and don't let anyone tell you differently. Once you have some land, take as much care in building your shop as you did building your product. A shop is not just a place to sell your items. It's a place to tell your story, to interface with customers, and is a physical representation of yourself and your brand even when you aren't online.

6. **Advertise**. Even a minimal amount of targeted marketing will give most *Second Life* entrepreneurs an advantage given that the landscape is filled with people who have no idea what effective marketing really is, or how it can help them.

   Do what it takes to get your brand name out and repeated. There are quite a few advertising avenues available to the *Second Life* business, but the best by a long shot is good old-fashioned word of mouth. Take the time and effort to get to know who your customers are and how to get your message out to them.