

Consumption of Virtual Goods in Online Environments [Working Title]

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Motivation:

In recent years, virtual goods have become an important source of revenue for operators of online games and social networks. For example, the game Fortnite runs profitably only by selling in-game items such as outfits or dance moves for avatars. Snapchat has partnered with brands such as Adidas to sell virtual jackets for user's Bitmojis, avatars that users can represent themselves with in the social network. In 2021, the global market for virtual goods was estimated to be worth 67.5 billion USD with an expectation of continued growth (Credence Research, 2022).

In contrast to digital goods such as music, photos or videos, virtual goods only exist in the context of a given online environment and are subject to that environment's rules on how the object can be used, modified, copied, or transferred. Therefore, virtual goods exhibit economic properties that differentiate them from classic digital and physical goods. Moreover, they come with trade-offs for businesses as users might resist their adoption if they provide advantages to paying users or are stacked upon other revenue sources such as access prices or advertisements. Given their growing importance for online business models it is therefore instructive to study which factors shape users' consumption decisions of virtual goods and how businesses can leverage these factors to optimize their offerings.

Goal:

The goal of this thesis is to give an overview of the literature that studies the factors that influence consumers' decisions to buy virtual goods in online environments. From the reviewed evidence, implications for how operators of online games and social networks can optimize their offerings of virtual goods should be derived. Potential need for regulation should be discussed.

References and Related Literature:

Credence Research. (2023). *Virtual goods market*. Retrieved from <https://www.credenceresearch.com/report/virtual-goods-market>

Hamari, J., & Keronen, L. (2017). Why do people buy virtual goods: A meta-analysis. *Computers in Human Behavior*, 71, 59-69.

Hinz, O., Spann, M., & Hann, I. H. (2015). Research note—can't buy me love... or can I? Social capital attainment through conspicuous consumption in virtual environments. *Information Systems Research*, 26(4), 859-870.