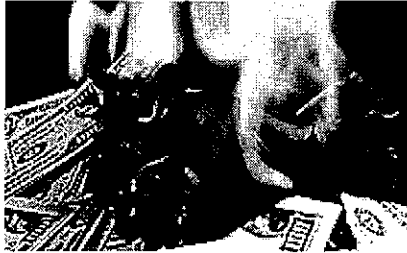


The Social Graf

## Virtual Goods As Incentives, Or, Money For Nothing

Erik Sass, Oct 27, 2010 09:20 PM



Interesting news on the virtual goods front: it seems gift cards holding Facebook Credits are now on sale at Wal-Mart and Best Buy, expanding retail distribution that already includes Target. The in-store card sales are touted as "The quick & easy way to get premium items in your favorite games and applications" -- meaning you can use them to pay for "virtual goods" in games like Farmville and Mafia Wars.

Boiling the story down to its bizarre essence, brick-and-mortar retail establishments are now selling real cards holding imaginary money to buy things which don't actually exist. While there is undoubtedly a certain surreal quality to this news, the move seems logical enough, and I'm not one to question what people do with their money. But I believe there are some potential pitfalls for retailers who want to use Facebook Credits (meaning, virtual goods) as part of in-store incentives and promotional offers. Basically, they have to be careful not to annoy consumers by insulting their intelligence.

There's no question that gift cards in general are very popular: they carry an obvious (but not distastefully ostentatious) value combined with flexibility which allows the recipient to choose the goods they want. According to data from the National Retail Federation, U.S. consumers spent \$23.6 billion on gift cards in the 2009 holiday season.

It's tempting, in this context, to incorporate Facebook Credits gift cards into promotional offers. The eConsultancy blog (<http://econsultancy.com/us/blog/6626-q-a-scott-silverman-on-his-move-from-shop-org-to-virtual-goods>) compared two hypothetical retail offers imagined by Scott Silverman of IFeelGoods.com -- one offering a consumer two pairs of jeans for \$20 off, the other offering two pairs of jeans and 20 Facebook Credits -- and concluded that the offer of Facebook Credits offer was more attractive to consumers. This despite the fact that Facebook Credits are worth substantially less than real dollars, as Silverman himself notes: "Each Facebook credit is worth 10 cents, so the cost to the retailer is \$2, or 20% off of an order that might be \$50-\$60."

Explaining his reasoning, Silverman believes that "20 feels like a pretty significant number to consumers...We believe that'll have a high perceived value to consumers, and it will help drive them to make that purchase." But this strikes me as a perilous approach, given the potential for consumer backlash. Essentially, it assumes consumers are so thoughtlessly naïve, and economically ignorant, that they won't do the basic math to figure out they're really not getting much of a reward. While some who do the math might appreciate a \$2 discount on a \$60 purchase, I think most would view this as a negligible amount and recognize the discount as a cheap gimmick -- and a slightly deceptive gimmick at that, a bait-and-switch trying to substitute Facebook Credits for dollars.

Of course I could be overestimating the intelligence and savvy of the average consumer -- not to mention the degree to which they care about being gimmicked or deceived by retailers. I suppose it's possible most people really are that dumb and indifferent, but I'd be leery about staking my brand's reputation on this frankly insulting assumption.