Where else?

"Sulake's thing is community-based entertainment. People are the best entertainment."

Step inside, and just believe it: Habbo Hotel has seven million visitors every month.

At Habbo's headquarters, a rather impressive turn-of-the-century granite fortress of a building, guests are received at an oddly curving front desk in electric-blue plastic. And then greeted by Timo Soininen who appears on the run.

Soininen is head of the Sulake Corporation, which accounts for a good one-fifth of the Taivas Innovations investment portfolio. Its most important product is Habbo, a virtual world in hotel form that has already spread to thirty countries. Sulake fluidly combines the old and the new, just as their headquarters combine turn-of-the-century fortress and electric-blue plastic; Internet technology and people's most fundamental need: to be part of a community.

In the lobby of this old and dignified building stands a cardboard pixel art figure wearing Speedos and rabbit ears, next to a samovar. Users in Habbo have created some 70 million pixel-art figures. That equals fourteen times the population of Finland or one and a half times that of the UK – to base comparison in the first Habbo countries. These figures are staggering.

Soininen, however, considers the huge figure to be merely a good start.

"We've only scratched the surface," he says. "Community-based entertainment has enormous growth potential. I'm convinced that we are just seeing the start of a huge mega-trend."

On the brink of a mega-trend like this, virtual worlds are still living in the age of the dinosaurs. Soininen explains it as the Internet Cretaceous Period. "And we know what happened to the dinosaurs," he adds. By dinosaurs, he is referring to huge Internet services and media corporations. They are big. Too big, in fact.

"In the capacity of an oracle, I would think like this," Soininen begins – and it is in the capacity of an oracle he has been asked for an interview. "Internet services are beginning to segment. In the future, there won't be just one MySpace of YouTube or Flickr or other such services," he says.

Multiple communities of people won't want to be included under the same Internet brand, they simply won't feel at home as part of the same big concept. Instead, people's mother tongue, for example, will take on renewed value, as will religion. The hegemony of English-language services will start to crumble, or so Soininen believes. Services available in English only will not thrive.

"It is not interesting for users when a service has, say, 27 million people accessing it – after all, how interesting are 27 million people as such?" Soininen asks, and promptly answers his own question.

"Not a bit. However, what is interesting is five people with the same interests as you: five friends, five new people you meet."

That's it: people are the same, online or IRL, as they say. After all, it makes no sense in real life either to just bump into random strangers on the street and start talking to them.

And it makes no sense – or at least it's not easy – to look for someone with the same taste in music on an American community website with 274,000 groups based around music. And even if your interests are slightly more esoteric, such as history or science, that still leaves 8,200 groups.

Sulake's business idea draws its power from the vastness of the Internet and its unbridled growth. The company creates the tools for virtual encounters. Better ones than before: tools that enable users to find a place of their own in the chaos that is the Internet; that switch the huge for the small, exchanging vast masses of users for personal contacts. And all done more easily than before.

"Users in Habbo have created some 70 million such pixel-art figures."

The next development phase of the Internet will be actual user-friendliness, Soininen predicts. That will open up virtual worlds to people who have no coding skills at all. People who don't even know how to copy and paste.

"A good community media company develops the best possible tools to enable its users to create a much more relevant service for themselves than a Yahoo group, for instance," Soininen explains. "We'll then be able to attract even the Internet couch potatoes. Services will become less and less tech-dependent. That's a very good trend," he continues.

This is specifically what prompts Soininen to predict a new mega-trend. Young people are already quite at home in web communities. They glide sure-footed from one service or community to the next, or even use them simultaneously. "Users are beginning to create paths between services – links, their own short cuts, as it were," Soininen says. "People move in quite a matrix on the Internet these days."

Soininen believes that even the most monolithic dinosaurs on the Internet are already on their way out. Slightly smaller giants will grow up alongside them. One of these little giants is Habbo, Sulake's flagship product. It was built by Sampo Karjalainen and Aapo Kyrölä, who will tell their story in the next article. To begin with, it was a virtual meeting place for a band they had with their mates. Seven years after the boys' brainwave, even the slowest of media, the periodicals, have started tooting the horn about the importance of Internet communities and the Web 2.0 concept invented by Silicone Valley consultants. The Person of the Year is you, proclaimed Time.

"At Habbo, you have been the star all along," Soininen points out.

"Habbo is the most boring place in the world unless there are other people there. The entire service rests on a fundamental human need, the need to be sociable. It's not a need created by the Web, but it hasn't gone away either. Sulake's thing is community-based entertainment. People are the best entertainment," Soininen says. Although the dinosaurs are tottering, this is just the beginning. That is what Soininen believes.

"It's astounding what amazing things people can come up with."

That is an expression Soininen uses a lot: astounding, or even incredibly astounding. He also often says something is incredibly interesting and that is how he feels about his job at Sulake.

Soininen took over as head of Sulake in 2001. "My old colleagues thought I'd gone mad," Soininen once said about his job change in an interview in the Finnish financial periodical Fakta. And went on: "But the magic of Habbo drew me in."

Perhaps not everyone found it easy to see what Sulake really was. "I like a challenge. And anyway, I'd been doing traditional marketing work for a number of years," Soininen says. "These five years at Sulake have been an amazing adventure. And a great opportunity to do great stuff with clever people every day: - an amazing opportunity to create something global," he says with enthusiasm, pulling himself up in his chair and spreading out his arms in a gesture that underlines his message about worldwide opportunities.

"Habbo is the most boring place in the world unless there are other people there."

Soininen is a fast talker, the words flow in an unending stream and he uses expansive gestures. When he talks about the tools for building communities, he sketches a toolbox in the air and hands it over using the invisible handle. He uses the word mindgames and gestures about his temples. He alternately stretches up and hunches down in his chair, leaning forward as he talks about concentration and waving his arms as he talks about growth.

"I've always been a bit hyperactive. Enthusiasm and impulsiveness are part of my personality, and I respond easily to stimuli. I simply can't sit still," he says. Then he admits that he has had to learn to be patient. "But it's all a bit like the leopard and his spots."

Before he came to Sulake, Soininen was head of the marketing campaign for the job-search portal Stepstone in Finland and Sweden, and before that, he was in charge of marketing at Fazer Biscuits. At Sulake, this marketing veteran had had many of his ideas turned upside down.

"The traditional approach is that you manage a brand. And brand management is turned into a science. But the really big thing is how the brand interfaces with the consumers. Companies have to stop acting like control freaks about their brands; they have to ask the consumers how they feel, what gives them kicks, and then continue to build on that. It's a big change of mindset. And it's also a very interesting idea," Soininen adds with enthusiasm.

In addition to marketing, the mindset has to change in creating an online service. Open-source development will probably extend into online community services, Soininen predicts. "Let's just take off the policeman's helmet and put on a construction worker's hard hat instead."

The trend towards open-source development is also based on an ancient fundamental human need: the need to be different. Take the Habbos, for instance, the figures created by the users of Habbo Hotel which in some other virtual worlds are called avatars.

"Let's just take off the policeman's helmet and put on a construction worker's hard hat instead."

"Habbo is full of bright ideas, ideas that no commercial company could have come up with, and here they are on offer to users of the service," Soininen says. "Whoever is maintaining the service must give users the space and the tools to put their bright ideas into practice. The bright ideas of the users will be seminal to profit generated within the communities," Soininen predicts. "That's a virtual economy; it, too, would be sparked by the users."

When community services give users programming tools for creating additional features, the company gains the potential to maintain an economy. A good feature can be sold to others.

"Users can create better functions and get money from other users for it. Just think, if someone creates an incredibly excellent thingamajig," Soininen says. "And if I pay one euro, I can have one myself. That's the start of business operations." The virtual economy is becoming increasingly intertwined with the real-world economy. Last year, the value of trading in virtual realities was estimated to be worth between on and three billion dollars. The actual sum is not – obviously – known to anyone.

Habbo makes money on user fees for additional services. The company's turnover is 30 million euros, despite the fact that nine out of ten Habbo users only employ the free entry services which Habbo provides yet which play a specific role in generating business. Hanging out in the community is free, but when there are enough people hanging out, some Habbos experience a need to be distinctive and are willing to pay for the option though Habbo does not sell traditional banner advertising.

"The American model of funding something through advertising is not the only way of operating on the internet. In the virtual economy, people buy services one small piece at a time, like you would in a candy shop," Soininen says. He follows up with his favorite expression: "It will be incredibly interesting to see where virtual economy models will lead."

The dominance of the big US corporations – the dinosaurs – will also be broken in terms of how online services make money. "The United States has an incredibly advanced advertising market. It's simply been moved onto the internet," Soininen says. And goes on to predict that profit making based on traffic will have to make way for competing ideas. Companies that maintain community services on the internet could, for instance, develop an earnings model for user-to-user marketing in virtual worlds. As an example, the service provider could apply a commissions-based approach to trading between users of the service.

And where the virtual economy is concerned, people are beginning to shop in the metropolitan areas on the internet the way they would in real life: impulse buying is coming to the web. However, something that spur-of-the-moment shopping needs is an easy way of paying for small, quick purchases. It would be the online equivalent of going to the local newsagents and putting a coin on the counter. Soininen thinks that whoever develops a convenient method of payment like this will become a billionaire.

Perhaps, he suggests, small purchases could be paid for by using a cash card and a remote card reader, something that is already done in Japan.

Soininen's leopard spots, his speed and passion, are his strengths. He has the ability to make the people around him enthusiastic, too. "In this job, the most important qualities are passion and faith, the ability to make people smarter than yourself see the same images," as he puts it himself. "You have to dare to do major stuff, set the sights high."

That is what Sulake has done: the company has exported its virtual world to thirty countries, moving on from Finland and the UK to many other European countries, and also to the United States, China and Russia. At the end of 2006, Habbo opened a localized service in Argentina. Its audacity has been noted. Sulake is a regular on the listings produced by technology journals and consulting firms such as Red Herring or Deloitte about the best growth companies in Europe. Last November, for instance, Deloitte ranked Sulake twelfth on the list of the fastest-growing European technology companies. In the past five years, the company's turnover has grown – it has to be said – an incredible 8,095 per cent.

The growth continues this year, Soininen assures us. Five years from now, in the vision of its CEO, Sulake will be, at the very least, the largest community-based media corporation in Europe with several products live around the world. And it will have a turnover of well over a hundred million euros.

"Sulake will not continue to rely on Habbo alone. We're turning the company into a new type of community media or community entertainment corporation with several concepts and services based on communities and self-expression. And you know what? It's great that when you wish for something, it could possibly come true," Soininen says.

Sulake has the courage to go for growth. And then again, it has the courage to focus. At the same time, the company has been able to avoid the original sin of Internet companies. That is something Soininen considers one of the greatest successes of the company and of his own career at Sulake.

"Even during those difficult moments, we've recklessly believed in this idea. We've managed to avoid the typical sin of companies that build up Internet services, bolting off in every direction. The value of a company grows when we concentrate on building one aspect at a time. This creates scope for doing other new things," he summarizes.

"In this job, the most important qualities are passion and faith, the ability to make people smarter than yourself see the same images."

Sulake has patiently built a distribution channel of thirty countries for its product. A distribution channel where the service has a payment system that has been tailor-made to fit the legislation, language and culture of each country. "And it is secure," Soininen adds, before returning to the future of virtual metropolises.

"The present and growing size of web communities also tends to raise fears. At some stage, at least some of the communities will begin to build walls."

Everything has its opposite, and that includes the need to be sociable, to meet people. Some communities may well develop a need to be left alone.

Sulake Corporation, now six years old, houses the engine that makes it all possible: the infrastructure needed for running these virtual worlds. This also means developing Habbo and constructing new community services. Further, it means taking the step from virtual reality into real life: Habbo is expanding into real-world products, commodities you can touch. In addition to Habbo merchandise, mobile games and animations are planned. It is not just the natural laws and regular occurrences of the real world that spill over into virtual reality, the influence works the other way, too. For instance, Sulake created the Virtual Magic Kingdom multi-player online game for Walt Disney. A teaser of the new Habbo features was seen in January, when Habbo announced it was publishing a series of animations in cooperation with the Hollywood studio Lionsgate. The members of the habbo community will vote for the best animation among ten alternatives, and Lionsgate will produce it. For the film studio, Habbo is an interface with its target group, and an immediate source of feedback.

"There is an enormous transition in progress now. We are number one in our own niche,", says Soininen. "In this transition, we will be able to use the head start we have to our best advantage.!!"

Habbo Hotel is a virtual community that has already spread to 29 countries. Habbo Hotel is maintained by the Sulake Corporation.

"We tried to create the first versions of Mobiles Disco and Hotelli Kultakala for users like ourselves, but the teenagers took them over."

**Aapo Kyrölä and Sampo Karjalainen,
Founders of habbo Hotel**

"Some users dress in brown and pretend to be horses, while other users care for them."

At what point did you realize that you were seriously interested in computers and game stuff? How did you get into experimenting?

- Sampo Karjalainen: My dad was professor in the acoustics lab at the Tampere University of Technology, so my first experiences with computers came from getting to play games on my dad's Macintosh and later on a Commodore 64. I learned to write on a computer first, and only later by hand.

- Aapo Kyrölä: I was also about 6 or 7 years old when my dad brought home a computer. He taught me some basic stuff and pretty soon I got really interested in it.

You've apparently expanded your computer collection by buying ancient stuff on eBay? What's the fascination with computers and computer games?

- Sampo: In the early 2000s, we did buy quite a few computers, probably mainly because the visual style of Habbo is based on retro games to a large extent. The old computers have a clumsiness all of their own that's kind of fun, and it's a great inspiration for visual style. In addition to the equipment, I like animated characters and plastic toys. The best ones come from Japan, but I often make finds at flea markets, too. I mainly play out of professional interest these days. Then again, computers enable you to create a lot of stuff of your own, like videos, animation or music, on a really small budget, so they offer people opportunities to participate in the surrounding media culture.

- Aapo: I don't think there's anything really gripping in the gaming world, or even in computers, any more. Back when I was in school, they were fascinating because of the potential they had for self-expression and testing things. In the 1980s and 1990s, computers developed incredibly quickly and that was interesting to follow. Personal computers have brought people's potential to do various things to completely new levels.

"The old computers have a clumsiness all of their own that's kind of fun, and it's a great inspiration for visual style."

You both worked at TothePoint, an IT company that recruited you when you were still in the upper sixth form. How did you first meet?

- Sampo: I'd sort of started there as bit earlier, but then I spent a year with my parents in the United States, and when I got back, Aapo was working there. I don't have any specific memory of the first time I met him.

- Aapo: There'd been some talk about Sampo at work, but I don't remember there being any major commotion about the whole thing.

As recently as 2002, your company only employed about 10 people and everyone was expected to take off their shoes in the entry hall, like people do at home. It's all grown quite a lot since then. At what point did you begin to realize what potential your invention had?

- Aapo: When Kultakala was launched in autumn 2000, the immediate popularity made it clear that it was something that might be exportable and that it might be big, but we were still amazed at how huge it was. Although I should add that the next two years were still kind of quiet and slow.

- Sampo: In the early days, we weren't entirely clear about what a sensible earnings logic might be. The starting point was to collect user fees from the user in some form, but we thought for a long time about whether that should be through advertising or sponsorship.

Still, the whole thing eventually took off in a really big way…

- Aapo: The global increase in broadband connections in 2003 had a clear impact in getting the business off the ground.

- Sampo: Even so, the idea was the most important thing. Ever since our first Mobiles Disco application, we believed this was a new kind of thing to put on a web browser and that there would be people out there who might be interested in this kind of thing.

What was the general feeling in making the stuff during those first few years? How much of a team spirit was involved, and did lots of your friends work for you?

- Sampo: It did have something of a club-type feel to it in the beginning. Though actually we paid people good salaries and tried to build a solid company from the start. There was a strong sense of enterprise in the hierarchy and in the way projects were led. At the start, everyone just took on a certain role and then tried as best they could to take responsibility for it.

One of your working methods is to rent a cottage in the countryside somewhere and then go there for a whole weekend of coding?

- Aapo: That generally happens when some project has to be put together fast. Then we just bring our laptops and work from morning till night, eat something occasionally, spend some time outdoors and have a sauna in the evening.

What do you talk about in the sauna?

- Aapo: It's always shop. Then we relax from work by drinking beer and playing Quake.

Habbo is an anti-violence community that exercises zero tolerance of swearing and any type of mean behaviour. Are you saying you play shooter games, but you are also trying to teach snotty-nosed teenagers manners?

- Aapo: There's always psychological violence and all kinds of teasing in youth culture, and the aim is to weed out as much of it as possible, but you can't get rid of it all – and anyway, who wants to? That would just be boring.

- Sampo: To begin with, we tried to create the first versions of Mobiles Disco and Hotelli Kultakala for users like ourselves, but the teenagers took them over. Right from the start, our ambition was to create a very positive environment. However, teenage culture has become so much rougher these days, that we have to make Habbo a bit edgier too, otherwise people will just think it's for five-year-olds or something. It's always important to remember the security aspects in all of this. We are about to make the language filters a little less strict, though.

"Teenage culture has become so much rougher these days, that we have to make Habbo a bit edgier too."

You got into this field without any prior knowledge of it. How did you manage to run the business side of it?

- Aapo: The first year was… well, we set up the company with Nurmio, as part of Taivas, so all the financial administration was provided by Taivas. Initially, I was the managing director, but then we went international straight away and we had no experience and I knew nothing about all that. I usually switched off my phone when people started ringing. It was obvious that we needed a pro as managing director and we eventually found Timo Soininen after quite a long search in 2001.

- Sampo: Maybe we lack that fundamental will to sell stuff, wanting to sell stuff both to partners and to end-users.

- Aapo: We were able to deal with the end-users somehow, but partner sales need special people. We are more interested in production, new ideas and strategic planning. We have no interest in traveling to conferences all over the place or meeting with partners.

Habbo Hotel now operates in 29 countries. Your most recent launch was in China. Aapo, you've studied Chinese and traveled around a bit over there. How are Chinese people taking to chatting on the Internet?

- Aapo: Habbo hasn't really taken off yet in China. I don't actually know the language, so from this perspective it's really hard to say anything about the problems, when you really don't understand what's going on there.

How different are the Habbo cultures of different countries?

- Sampo: Not very; the basic things, like self-expression and how you move and the things people do in Habbo, are all pretty similar in every country. The user segmentation shows that the highest number of 'achievers' is found in English-speaking countries while the biggest number of 'loners' is in Japan.

- Aapo: The fact that the stuff people do is surprisingly similar all over the world just goes to show that youth culture really is becoming global. Still, Americans have a much higher tolerance for commercial stuff than Finns.

"The highest number of 'achievers' is found in English-speaking countries while the big-gest number of 'loners' is in Japan."

Do Habbo users actively visit other communities?

- Sampo: The active users clearly do get around a lot, checking out what goes on elsewhere. It happens quite often that something new is invented in one country and then it spreads as a "cultural export" to the communities in other countries.

Lots of Habbo users are half your age. How do you keep up with what goes on in the teenage world?

- Sampo: By watching what goes on you can get some idea of what people are doing and what they find interesting. The main idea is still that we produce tools and building blocks, but that it's the users themselves who bring the most interesting content to the community, including the elements that are important to them.

Most of the users are 10-15 years old, and they can spot a 30-year-old from fifty paces. They are also a whole lot more skilled at using computers. What are the key etiquette rules to help you make friends in Habbo?

- Sampo: Well, hmmm. Kids have pretty much their own way of chatting. Older people have some fundamental social manners, for instance, saying "hi" as you enter, then beginning to chat and get to know people. Then they say "bye" when they leave. It's much more straightforward with kids, the first thing might be "wanna be with me" - meaning do you want to play at being girlfriend and boyfriend – or "wanna swap stuff", meaning furniture. They might also just leave the room, just like that.

But do people really talk to each other in Habbo?

- Sampo: Definitely once people settle down a bit, lots of them do want to talk. But many people talk in their own rooms.

Are there secret doors, can you meet a secret lover without anyone finding out?

- Sampo: Well, you can lock the door of your room, and then others have to ring the doorbell.

There are lots of stories of people finding boyfriends or girlfriends in Habbo. One guy met his wife through Mobiles Disco, she was living in Brazil at the time.

Tell me about Habbo fans. Do you have fans, what do they do?

- Aapo: The most active users do know who founded the whole thing and they even know a lot about the company. They do know about us.

- Sampo: Then again, being a fan is more about being involved in creating shared content. For the regular users, the Habbo experience is not limited just to the content we offer, they also want to expand the community by creating their own stories and content, or even by listing the prices of furniture.

- Aapo: Habbo fans could be compared with the Apple fans around the world who follow everything Apple does.

- Sampo: At times, the fans are really critical and have very strong visions of the direction in which they want Habbo to develop. Lots of them feel that the whole thing is so much their own that if we publish a new version, say, they are often really annoyed that we've gone and done something like that without asking them. There's a catchphrase that lives on from the days of the Hotelli Kultakala (Hotel Goldfish): "Give us back the old fish!" That tends to surface whenever we produce something new and the fans want the old version back.

"It happens quite often that something new is invented in one country and then it spreads as a "cultural export" to the communities in other countries."

The Habbo underworld has all sorts of things, including a Cops and Robbers site. Are these sites made by fans?

- Aapo: Yes, some of these kids are amazingly talented at making graphics and websites. Actually that's what gives me kicks more than anything, seeing those kinds of sites. There are also some really talented hackers out there, who are trying to break into or use our system. Those people may be the biggest fans.

What sort of pranks do these little hackers get up to?

- Aapo: Lots of them build their own look alike versions of Habbo and monitor the traffic. At one point the cool thing to do was to figure out how to undress the virtual characters. The best hackers have succeeded in finding some pretty amazing loopholes in our system. They've caused us endless headaches and you have to admire them for that. I've been thinking about that recently, by the way; seeing as I'm going to start my military service this summer and I bet some of the guys who hacked Habbo when they were 12-13 years old will probably be there too.

There must be loads of stories about the Habbo world. What actually goes on there?

- Sampo: The most interesting stuff usually comes from the things that the users think of doing in their own rooms. They often take a model from a television show like Pop Idol or the Eurovision Song Contest and then make their own version. The room owner adopts the role of host and runs the show and even decorates the room to fit in with the image of the show in question. There are lots of elements from children's play in the way that people enter into this world. For example, there are virtual stables in Habbo, where some users dress in brown and pretend to be horses, while other users care for them. Then the characters write speech bubbles about what they are doing. Another surprisingly popular thing is the adoption rooms, where one user can temporarily adopt another user as his or her child.

In Habbo, people use Habbo money to buy rare furniture and other stuff. Isn't there a danger that older kids scam younger kids out of money and get greedier than ever?

- Sampo: Well, there is a lot of that, it's true. Those people who think that the point of Habbo is to collect as much furniture and other stuff as possible often try to trick other people out of money or into giving away their passwords. We strive to prevent this type of criminality as much as possible and to return the things to their rightful owners. Returning furniture is part of the work of our customer services.

You must have made nice money from Habbo? What is your own relationship to material wealth? What do you spend money on?

- Sampo: Weell. I wouldn't say we've got particularly rich.

- Aapo: I do spend a lot of money on traveling and then I buy a lot of books, but it's not like I've spent any money on trendy clothes.

- Sampo: Maybe the money goes mainly on cultural stuff, records, books.

Aapo, you've gone on to study economics and you've also written letters to the editor of Helsingin Sanomat about issues such as university term fees and libraries. Is there a little of the social critic in you, and does it follow that Habbo is a manifestation of the ideal society?

- Aapo: Definitely not; it's a bit limited for that. Also, Habbo may be a bit too much of a consumer society. However, at its best, it may be a place where kids can practice being independent and examine their own identity from the outside, too.

I was wondering what becomes of teenagers when they drop out of Habbo. Have you considered a similar idea for older people?

- Sampo: It's self-evident that we should be able to offer something to those who outgrow Habbo. Initially we were branching out in all directions a bit, but in the end we decided to concentrate on what worked best. The long-term vision is, however, that in the future we might have several brands and services for different user groups.

- Aapo: You could say that we have a project that's being planned for an older target group.

Currently, 70 million virtual characters have been created in Habbo Hotels worldwide and while you were reading this text, the number increased by about 2,000 new "Habbos".