



10EQS | WHITE PAPER

INSIGHT: Exploring the Business Value of the Metaverse

Although opinions vary about how to define it, the metaverse may be about to revolutionize the way we play and work. In many ways, it is already disrupting and re-forming the way businesses interact with their customers. Now, looking ahead, what business value does it promise for those companies?

In an attempt to separate hype from reality and to determine whether there are real and relevant opportunities in the metaverse for businesses, 10EQS conducted a deep dive on the metaverse, speaking to senior leaders at enterprises who are early adopters in the metaverse, futurists who specialize in augmented and virtual reality technologies, leaders at metaverse component suppliers, and other experts to gain their perspectives on this nascent and fluid technology.

In this white paper, we will explore the many current definitions of the metaverse, examples of applications of the metaverse, its potential business value, and some recommendations for businesses considering the best way to make their way forward in this new world. Throughout the white paper, you'll hear from some of the experts we interviewed, who provided their unique perspectives on the topic.



Defining the Metaverse

Defining the Metaverse: A Reality Check.

Let's begin with the question everyone is asking: What exactly is the metaverse? Apparently, a shared definition of the metaverse continues to be elusive. Matthew Ball, a venture capitalist, technology futurist, and thought leader in metaverse-related topics, defines the metaverse as:

“a massively scaled and interoperable network of real-time rendered 3D virtual worlds that can be experienced synchronously and persistently by an effectively unlimited number of users with an individual sense of presence, and with continuity of data, such as identity, history, entitlements, objects, communications, and payments.”

He also describes the metaverse as “an ecosystem of technology, content, and communications experiences that is decades away”.

Framework for the Metaverse; Matthew Ball, 2021.



During our research, we identified a gulf between metaverse hype and reality. Our attempts to conduct a reality check resulted in a few conclusions about what constitutes hype and what is factual:



HYPE

The metaverse is a user collective-owned and -generated ecosystem of interoperable, immersive virtual worlds where there are no rules or regulations and there is no room for big corporate entities.

The metaverse offers every experience a user could ever want or need.

Digital assets have equal if not higher value than physical assets. And digital experiences are better than physical experiences.

The metaverse is going to take over the world, disrupt big tech and big business, and concentrate power and control back into the hands of the users.



REALITY

The metaverse comprises gaming platforms and Esports that incorporate a limited number of brand partnerships, primarily luxury goods.

There is a small yet growing number of standalone decentralized platforms with very low user engagement.

Developers are invested in cryptocurrency and digitally scarce NFTs and incentivized to build markets for personal gain.

Mainstream consumers will shun decentralized platforms because they don't understand them.

The reality is that nearly all of what we read now about the metaverse is hype. While vast volumes of publicly available content about the metaverse exist, most of it is aspirational, focusing primarily on the exciting promise of the metaverse, with little focus on content about tangible activity.

How Did We Get Here?

The metaverse has evolved much like the early days of the internet itself when commercial online services took a “walled garden” approach to control user access. That phenomenon has been mirrored in early metaverse platforms like The Sandbox, Decentraland, and Roblox, which offer digital land property in the form of NFTs. Now, these pieces of the metaverse are owned by the individual or legal entity that holds the NFT property title. This is viewed as a bet on the same walled garden approach.

Much like the internet today, the metaverse of the future will rely on platforms that are still being developed; but, unlike the internet, there will be many metaverses that are interconnected. It will be important for any metaverse to enable users to interact without an intermediary and participate without authorization. To achieve this, the metaverse will rely on blockchain to transfer identity and ownership across virtual worlds, attestation to verify them, and payment rails that allow people to buy, sell, and earn an income within a decentralized economy.

While the full potential of the metaverse appears to be years away, it is currently a phenomenon characterized by the activity of hundreds of startups, creating noise with no significant outcomes. Many experts agree that the recent ramp-up of activity by big tech companies is helping to bring some order to the chaos in the marketplace by delivering the loyal mainstream user bases that the startups lack.

We have, in fact, witnessed a tipping point in the evolution of the metaverse, one that will trigger a new narrative and control which areas will be the next flywheels to start spinning. In the next five years, we expect to see greater cohesion, structure, and centralization of activity around big tech.



Emerging Use Cases by Industry

Bloomberg predicts that the metaverse will be an \$800 billion market by 2024. Though, according to most experts, the killer apps of the metaverse have yet to be developed, many external-facing use cases for the metaverse are emerging in some industries.

Let's take a closer look at a few industries that are already creating new experiences with potential for monetization.

Bloomberg: “Metaverse may be \$800 billion market, next tech platform”; 2021.

The potential that the metaverse represents for retailers is massive, because of its ability to expand access to products to millions of customers across the globe. Today, retailers are using digital twin tools and techniques to build digital replicas of their products to enable virtual comparison shopping, customize products with augmented reality, enable a “try before you buy” to ensure fit, and more.

“The moment you can have your full product catalog in digital twin—and customers can see it all using headsets—it will be a new form of e-commerce. It’s going to give them a leg up for the long term. That’s why Amazon, Walmart, Ikea, and the other behemoths are deep into investing in digital twinning right now.”

CEO, Metaverse Professional Services Firm



According to Matthew Ball, “Retail may be an early adopter of mirror world simulation, driven by an accelerated migration of e-commerce and figuring out how to evolve the business model of bricks-and-clicks to deliver an optimum experience.”

Many fashion brands are partnering with gaming platforms to showcase their collections. For example, Balenciaga x Fortnite, the product of a collaboration of luxury fashion brand Balenciaga with Fortnite, a videogame with 350 million users, offers digital collections for their digital avatars to wear when playing the game. Balenciaga also recently joined Adidas to launch a series of digital collectibles.

“I love what Balenciaga has been doing. They’re one of the big leaders in the space. They sold more and their margins are much better on their virtual goods sold in the last four quarters than their physical goods.”

CEO, Metaverse Professional Services Firm

Daoinsights: “Balenciaga unveils first digital collection in collaboration with Adidas”; 2022.

Furniture retail is proving to be a prime sector for the use of digital twins because it has experienced a sizing problem and high return rates. IKEA, for example, has converted its entire product catalog into an augmented reality app that makes it possible for customers to see whether their purchases are properly sized for actual rooms. This has resulted in as much as a 40% reduction in the number of returns they receive.

“Anything that’s kind of large, physical, hard products are a great use case for digital twinning.”

CEO, Metaverse Professional Services Firm



ROI for Retail: HIGH

By enabling customers to check their purchases for proper fit, they feel more secure about their purchases, and thus, retailers are not only enhancing customer engagement and loyalty, but they are also experiencing significant reductions in returns. While data on the payback of this strategy is sparse, we have seen some large retail enterprises report impacts of as much as 40% reduction in return rates.

02 CPG: Packaging messages for micro-communities

CPG brands need to overcome the inherent challenge of business models that have historically depended on physical consumption by consumers. To date, many major CPG brands have explored the potential of providing digital assets and using virtual experiences in their promotions.



To break through in the crowded consumer packaged goods (CPG) marketplace, major brands are recognizing the new reality that there is no longer a mass culture, creating a need to build loyalty by targeting micro-communities defined by distinct sets of attributes. Major brands are building micro-communities of these like-minded consumers around their products and providing them with immersive experiences in the virtual world.

“CPGs are famous for having tight profit margins. That will focus the people who are making decisions inside the companies to not look at what’s new, but to look at what they can do to fix what was.”

Director of Metaverse Engineering, CPG Retailer



ROI for CPG: UNCLEAR

Although there have been some notable successes with CPG in marketing their products in the metaverse to their loyal customers, the cost of execution is unknown.

03 Media and entertainment: Playing to larger audiences

Media and entertainment companies have been early adopters of the metaverse and continue to commit significant portions of their digital budgets to metaverse activities. Today, they are seeking ways to reach more people at lower costs by staging digital experiences like concerts for larger groups.

The mandatory isolation required during the pandemic gave rise to the phenomenon of virtual reality experiences featuring high-profile performers. Ariana Grande, for example, partnered with Epic Games (maker of Fortnite) to provide an experience that combined visions of in-game events and mini-game-style experiences, as well as a surreal concert.

“We’re able to achieve things in the metaverse right now with media and entertainment distribution that we just cannot in the physical world. The metaverse becomes an essential way for artists and media brands to give everyone a rich experience.”

CEO, Metaverse Professional Services Firm



ROI for Media and Entertainment: HIGH

Now, a high-profile digital event can attract 14 million global attendees, compared with 80,000 local attendees.

Metaverse use cases for the auto industry are largely internal-facing - including product design, training, and digital twinning of production lines. Today, nearly every automotive company has at least moved to execute design in the metaverse.

Hyundai, for example, has plans to be the first to build a digital twin of an actual factory, or a meta-factory, that will enable the company to conduct virtual test runs to determine an optimum plant operation and enable managers to develop solutions without the need for an actual visit to the plant. BMW, too, has plans to build 3D digital twins of their factories and to use AR to inspect tools delivered to its Munich engineering facilities.

“Let’s say you wanted to make five prototypes. The cost was five times that of one single prototype. In a metaverse, that is not needed. So, the cost of making prototypes is reduced, as well as the cost of modifying the prototypes.

Having collaboration sessions with two people, or four people, is probably easy. But, when you have a bigger group, how do you manage it? How do you ensure that they all can add value?”

Technology Strategy Leader, Automotive Manufacturer



ROI for Automotive: HIGH

In cases in which the designs can be created digitally rather than with physical prototypes, moving from physical prototyping to metaverse design is resulting in cost savings that are at least an order of magnitude less.

Roadtraffic Technology: “Even automotive companies are getting in on the metaverse”; 2022.





Navigating the Future of the Metaverse

Going forward, businesses are taking a range of actions to leverage the opportunities that the metaverse offers. While much infrastructure and tools may be developed by third parties, many large companies in retail, CPG, and automotive, in particular, view technical skills as a competitive advantage and are taking steps to bring them in-house. Media and entertainment companies, on the other hand, are more likely to use third parties to help them strategize and implement experiences.

“I would advise any executive that there are three things they can start doing today:

- Educate yourself and your staff and your teams to understand more about what is happening.
- Be strategic. If you’re already active in the metaverse, take a step back and create a holistic strategy.
- Look internally to determine who in your company has the experience you need now to start building teams. You might have innovation teams that have been developing AR and VR for a long time, people who know how to think in 3D and think spatially. You may have crypto natives who work for you. And, if you do not have the experience you need, who do you need to bring into your talent pool? If you think we currently have a talent war, just wait. It’s about to get a lot harder.”

Kathy Hackl, Chief Metaverse Officer, Futures Intelligence Group

The metaverse experts at [10EQS](https://www.10EQS.com) stand ready to help you get in the game. We can help you determine whether there are relevant opportunities in the metaverse for your business, define your goals, explore those opportunities, and prepare to scale.

Contact us to discuss your needs and objectives at clients@10EQS.com or visit us at www.10EQS.com.