UNLOCKING MARKETING VALUE WITH THE METAVERSE

The metaverse is largely perceived as a platform and channel to reach and engage audiences. Creatively, it presents an inifinite number of options and is one place where ingenuity can outshine investment, given the right strategy.

At this nascent stage of its development, most marketers want to know how they can leverage the metaverse in their marketing and how much participating in the metaverse will cost. No one wants to miss out. However, aside from metaverse campaigns, there are other ways in which the metaverse can deliver value for marketers which have been less discussed.

In this R3 Category Report we review:
- Efficiencies Offered by the Metaverse
- 14 Ways Brands Can Take Advantage of the Metaverse
- Product Categories Generating Revenue from the Metaverse

KEY TAKEAWAYS

- Brand activity in the metaverse currently evolves around PR and awareness, but there are other marketing efficiencies that can be gained by using the simulation properties provided by virtual environments. Understanding how publicity-driven metaverse campaigns in the near-future can be used to enhance consumer insight, collect first-party data, and build brand communities will help marketers extract additional value from their investment.

- The consumer audience advocating for brands in the metaverse remains small. An average 16% of adult consumers surveyed across the US and UK were of the opinion that brands should build brand experiences in the metaverse. 18% thought brands should be advertising in that space (Forrester, 2021).

- Marketers should use this time to use the metaverse to test ideas and establish areas of digital capability that allows them to be seen as first/early movers in new technology.

EFFICIENCIES OFFERED BY THE METAVERSE

Consistency & Automation

Simulations offer consistency and automation. They can be launched every five days, five hours, five minutes, even every five seconds to provide an always up-to-date picture of the system as it evolves. Simulations can also prevent skewed and biased results in stores with surveys, feedback and interviews.

Answering "What-If" Questions

The metaverse adds an additional universe of time. Decision-makers can accurately test hundreds, thousands, even hundreds of thousands of different scenarios and to choose the tactics and strategies that lead to optimal outcomes for their brand. Simulation offers valuable insight into not only past and present states, but also future states.

Adding New Dimensions to Data

Connecting metaverse engines to business intelligence tools can enrich the data pool. Where previously data was mostly two dimensional, introducing a Z-dimension allows for real time heat maps of global consumer behavior. Marketers can make multiple environments that people can curate and shape, and as result, share their expectations and ideal experiences.

Architecting Moments of Truth

Visual Merchandisers can conduct assortment planning more effectively and efficiently in the metaverse (i.e., visualizing a planogram in a spatial environment to get a sense of how the shelf would look like in a retail environment). Additionally, a virtual reality system can be used to test purchasing habits across different retail scenarios. This can substantially save costs for retailers as they can assess what attracted or distracted consumers' attention.

Reducing Fraud & Risk

Merchants can tokenize physical products and services to help reduce online transaction costs and arbitration risks by bypassing intermediaries such as Amazon or Alibaba. For example, a fashion brand could tokenize the ownership of a physical swimsuit and sell this token — the ownership of the swimsuit — to any consumer or reseller. The payment would be escrowed to protect both parties and reduce counterparty risk. The buyer could then redeem the token and get the swimsuit delivered or resell it.

ROBLOX

ECONOMY ENGINEERING THE METAVERSE

190m
average number of players each month

40m
approximate number of worlds

Immersive Ads

Supported by:
- Dedicated ranking on game discovery pages that deliver ad conversion rates (40% desktop, 60% mobile)
- Targeting criteria covering age, gender, and platform
- Reporting that allows marketers to track and attribute game play session to sponsored ads

Developer Subscriptions

- Developers earn by charging users for experience upgrades
- The content and marketing strategy is owned by developers

Real World Commerce

- Sales of real world products through sellers or affiliates in the metaverse
- Ability to scale commerce at speed

"The average cost per click for a sponsored experience is between 2-3 Robux that's two to three cents. When you compare that to the leading ad networks, CPCs are generally in the $2-$3 range so this is 100x less than what you pay elsewhere..." - Matt Curtis, VP of Developer Relations

Source: Heller House (2021)

14 WAYS BRANDS CAN TAKE ADVANTAGE OF THE METAVERSE

HOW	WHO
Virtual Showrooms (vStores)	Toyota
3D Data & Analytics	Meta
Customizers & Configurators	Mercedes-Benz
Product Sales Training	SAMSUNG
New Designs & Colorways	Nike
Gamified Commerce	LOUIS VUITTON
Social Gaming Product Partnerships	GUCCI
Business Intelligence Tools	ORACLE
Creator Economy	Coca-Cola
Virtual Goods	Walmart
Virtual Photoshoots	IKEA
Reduce Returns	macy's
Sustainability Targets	HYUNDAI
Brand Placement	Ferrari

HOW WILL PRODUCT CATEGORIES GENERATE REVENUE FROM THE METAVERSE?

Category: Platform
Platform brands will look to generate revenue through the sale of hardware (i.e., headsets) and making money through commerce and advertising. They might also take a percentage of every sale that is transacted on their platform.

Category: Luxury
In the metaverse an avatars is an extensions of the self, and some users will be willing to invest in outfitting their virtual selves with luxury goods. Clothing and accessories, interior decor, and art are just some objects that luxury brands will look to sell. Margins are favorable as virtual clothes and accessories don't take up raw materials. Buyers will also be looking at the resale value and transferability of luxury items within worlds.
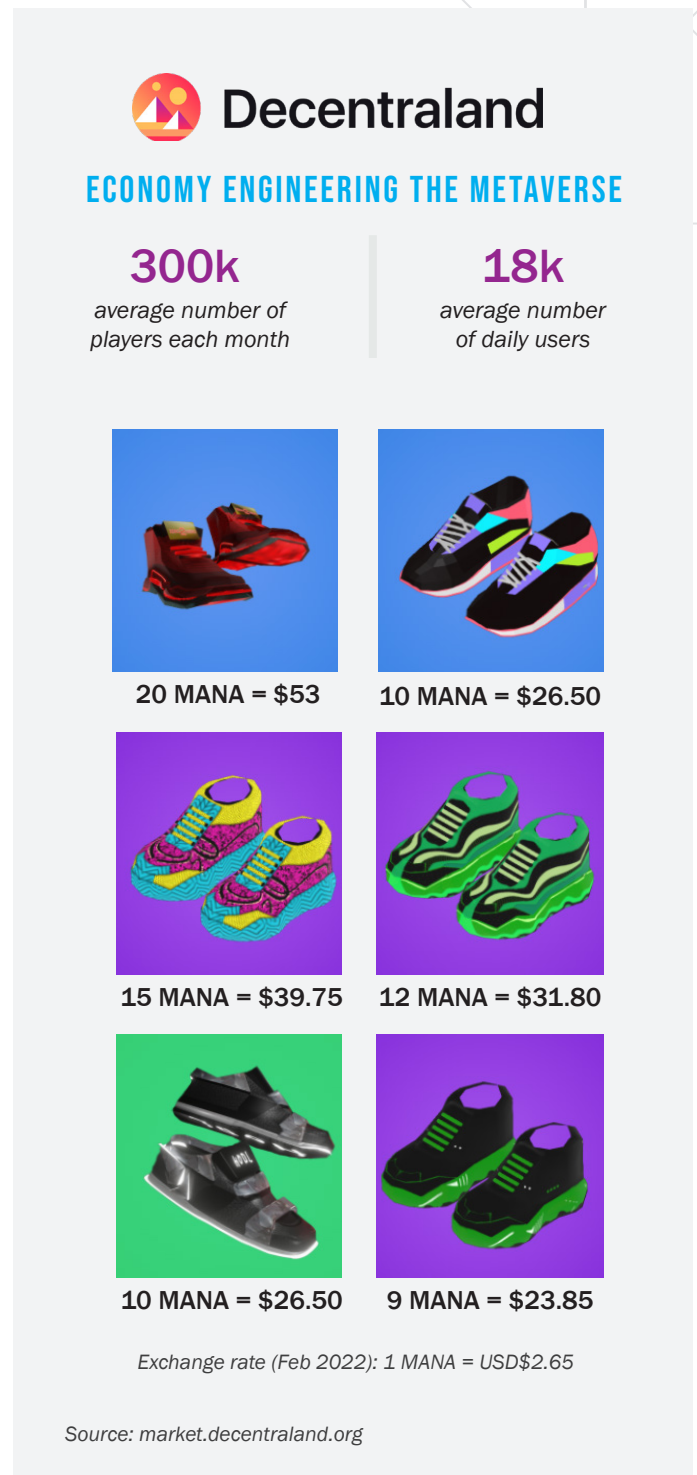
Category: CPG
The opportunity for CPG brands will be in the crossover with the real world. People who spend time in the metaverse will soon be able to do their shopping within virtual convenience stores and supermarkets (or even within CPG branded worlds) and have products delivered to their home.

Category: Automotive
Automotive brands have already entered the metaverse to showcase new models and nurture brand affinity with young drivers. Dealers will be able to offer virtual test drives and interact with potential buyers within worlds, and the sale of automotive accessories and other merchandise is more convenient when done within the comfort of one's home.

Category: Finance
Financial brands will establish a role with regard to in-game crypto currencies, NFTs, and even real estate. Developers prefer trading in cyptos due to their ability to boost sales via a play-to-earn model. Financial education and investment products - for the metaverse - might be two things we see financial institutions offer platform users.

Decentraland

ECONOMY ENGINEERING THE METAVERSE

300k
average number of players each month

18k
average number of daily users

20 MANA = $53	10 MANA = $26.50
15 MANA = $39.75	12 MANA = $31.80
10 MANA = $26.50	9 MANA = $23.85

Exchange rate (Feb 2022): 1 MANA = USD$2.65

Source: market.decentraland.org

ALIBABA - GOING BEYOND E-COMMERCE WITH THE METAVERSE

The metaverse presents Alibaba the opportunity to move away from China's e-commerce saturated market and extend itself into virtual shopping, marketing and cloud computing.

The company showcased its metaverse ambitions early when it invested $790 million in the augmented-reality company Magic Leap in 2016. Since then, it has has invested more than $1 billion in AR- and VR-related startups, who will be providing the knowledge and expertise for Alibaba's foray into the metaverse.

The company has applied for a number of trademarks recently, including "Ali Metaverse" and "Taobao Metaverse."

Alibaba's Black Friday campaign featuring its virtual influencer AYAYI

What's Next?

Virtual Workplaces - Alibaba has established its own "XR lab" (extended reality lab), and its Zoom-like workplace app, DingTalk, has launched new AR glasses to allow users to conduct virtual meetings.

Virtual Marketplaces - Government attitudes toward cyptocurrency in China has downgraded the appeal of NFTs, but the concept of "digital collectibles" is strong with Gen-Z audiences and remains in relatively gray area. Alibaba's Metaverse Art Exhibition during its 2021 Single's Day campaign was a demonstration of the brand testing creative approaches to being a virtual marketplace.

Virtual Gaming - Alibaba launched a new unit named Yuanjing Shengsheng to focus on cloud gaming and providing support to medium-sized developers. This suggests an effort by the company to be involved in the building and ownership metaverse infrastructure.

XRLab announcement at the 2021 Aliyunqi Conference

ALIBABA'S FOUR LEVELS OF THE METAVERSE

1 Virtual Views

The application of VR viewings, cloud exhibition halls, and holographic shops. For example, XRLab and Tmall have cooperated to build holographic shops.

2 Holographic Simulation

The people/objects in the virtual world simulate the dynamics of the real world. Examples include existing VR games and digital twin applications (i.e.,virtual models being used as spokespeople.

3 Integration of Virtual & Reality

The information of the virtual world is superimposed on the real world display. The essence of the technology is to construct a high-precision 3D map of the entire world. Examples are AR navigation in scenic spots and AR exhibitions.

4 VR Linkage

The behavior of the virtual world generates feedback in the real world, and the real world is transformed by changing the virtual world. An example is XRLab's apple picking robot.

BAIDU - FINDING A PLACE FOR AI IN THE METAVERSE

Baidu's first metaverse product was in the form of Xirang ('Land of Hope'), a metaverse created for a conference for AI developers amd the media. Participants joined the conference through Baidu's metaverse app on smartphone and PC, and used headsets developed by ByteDance VR hardware maker Pico.

As Baidu is not an expert in gaming and graphics, the conference was criticised for its overall experience. However, the company's competencies in other AI technologies (like driverless-cars and speech and image recognition) suggests that the company is more likely to be successful in the hardware.

Baidu's Xirang (Source: Global Times)

NETEASE - ENHANCING GAMES & MEETINGS WITH AR/VR TECHNOLOGY

Gaming giant NetEase has the technology stack and gaming and graphic expertise to execute highly creative and engaging metaverse concepts. The company has been incorporating AR/VR elements into its games since 2016 and is an investor in Niantic, the developer of the AR blockbuster Pokemon Go.

Though hardware is still a weak point in its business, where NetEaste can be a strong competitor is in gaming. The company will be lauching its own user-generated gaming platform which will compete with the likes of Roblox. Through user-generated games, NetEase hopes to create a stable digitally immersive environment through social engagement.

Virtual NetEase Cloud listing ceremony (Source: coinyuppie)

BYTEDANCE - OWNING PARTS OF THE METAVERSE SUPPLY CHAIN

ByteDance is beta-testing a metaverse app called Paiduidao ('Party Island'). Though the company has denied the "metaverse" label, the concept isn't far off; users are able to create personal avatars and interact in a virtual environment.

Though ByteDance is not as strong as other tech giants in its direct metaverse technology, its investment portfolio (which includes chip designers, user-generated content platforms, VR tech, gaming platforms, and film and television production) suggests that the company is looking to benefit from the metaverse supply chain.

ByteDance's Paiduidao (Source: Pingwest)

HOYOVERSE - LASER FOCUS ON OPEN-WORLD CONCEPTS AND DEVELOPMENT

The Shanghai-based game developer MiHoYo - recently rebranded as HoYoverse - is a major backer of Soul - a social metaverse company targeting China's Gen-Z. The company's founder Cai Haoyu has voiced strong interest in open-world concepts (which led to the blockbuster open-world role playing game (RPG) Genshin Impact) and has mentioned a goal of creating a hyper-realistic virtual space inhabited by 1 billion people by 2030.

Though MiHoYo is small compared to China's other tech companies, its focus on metaverse-related projects and brain-to-computer interface research will help it carve a niche for itself.

MiHoYo's Genshin Impact (Source: Lifestyle Hong Kong)

LILITH GAMES - BUILDING THE RIGHT TECH STACK TO ENHANCE PLAYER EXPERIENCE

A competitor to MiHoYo and one of China's top game publishers, Lilith Games is gearing up for global expansion through metaverse products. Lilith is developing its own user-generated content platform known as the Da Vinci Project and has begun developing its own metaverse technology stack.

Already close to the metaverse by virtue of its market, Lilith needs a full AI and cloud gaming technology stack to bring its games to life in a virtual environment, and has aligned its investments accordingly.

Lilith UGC Game Boom!Party

XIAOMI - FROM SMART APPLIANCES TO PAYMENT SYSTEM FOR THE METAVERSE

Xiaomi boasts 129 metaverse-related patents, according to Yuanchuang Metaverse, but it has so far employed an unusual strategy by entering the market via mobile payment systems directly designed for the metaverse.

Xiaomi will lean into its own competencies rather than bid for the whole metaverse pie like Tencent. It aims to develop metaverse-related tech in payment systems, smartphone tech, video displays, and more, in order to become essential to any metaverse future.

Xiaomi's metaverse announcement

HOW R3 CAN HELP

INDEPENDENT DIGITAL AUDIT

A quantitative evaluation of your Brand's performance on Digital Channels that will help you know how well you are doing and where the gaps are, for ongoing improvement in performance.

QUESTIONS ANSWERED
- What are the gaps in my current digital media campaigns and how can I bridge them?
- How can I improve the performance of my Digital Earned, Owned, and Paid Channels?

BESPOKE DIGITAL ECOSYSTEM BENCHMARKING

A quantitative and qualitative evaluation of your Brand's performance on Digital Channels benchmarked against a bespoke list of competitors based on Metrics that matter to your business.

QUESTIONS ANSWERED
- How does my Brand benchmark against my direct and indirect competitors?
- What are the Marketing Best Practice in my category on Digital Channels?

ACTIONABLE CHANNEL AND CONTENT STRATEGY

Studying the success of competitors and non-competing category leaders can provide informative and actionable insights with which brands can transform their approach to digital channels and content.

QUESTIONS ANSWERED
- How can my Brand excel with digital content?
- How to best leverage influencers on digital/ social channels?
- How can my brand optimize e-commerce performance?

DATA-DRIVEN CONSUMER INSIGHTS

With the amount of digital footprints left by consumers, brands do not need to rely on generalized consumer personas, but instead can understand the real behavior of their actual consumers, to better cater to their needs and market to their interests.

QUESTIONS ANSWERED
- How does my target consumer actually behave?
- What do the next generation of Consumers want from my Category and Brand?
- How can we market to them effectively across digital channels?

ABOUT R3

In a word, we are about transformation. R3 was established in 2002 in response to an increasing need from marketers to enhance their return on marketing, media and agency investments, and to improve efficiency and effectiveness. We want to help CMOs make marketing accountable.

We've worked with more than one hundred companies on global, regional and local assignments to drive efficiency and effectiveness. We have talent based in the US, Asia Pacific and Europe and partners in LATAM and Africa. Through global work for Unilever, Samsung, Colgate-Palmolive, and others, we have developed robust benchmarks and process targets for more than 70 countries.

CONTACT US

Greg Paull
Co-founder & Principal
greg@rthree.com

Sabrina Li
Managing Director, China
sabrina@rthree.com

Tereia Liu
Consultant
tereia@rthree.com