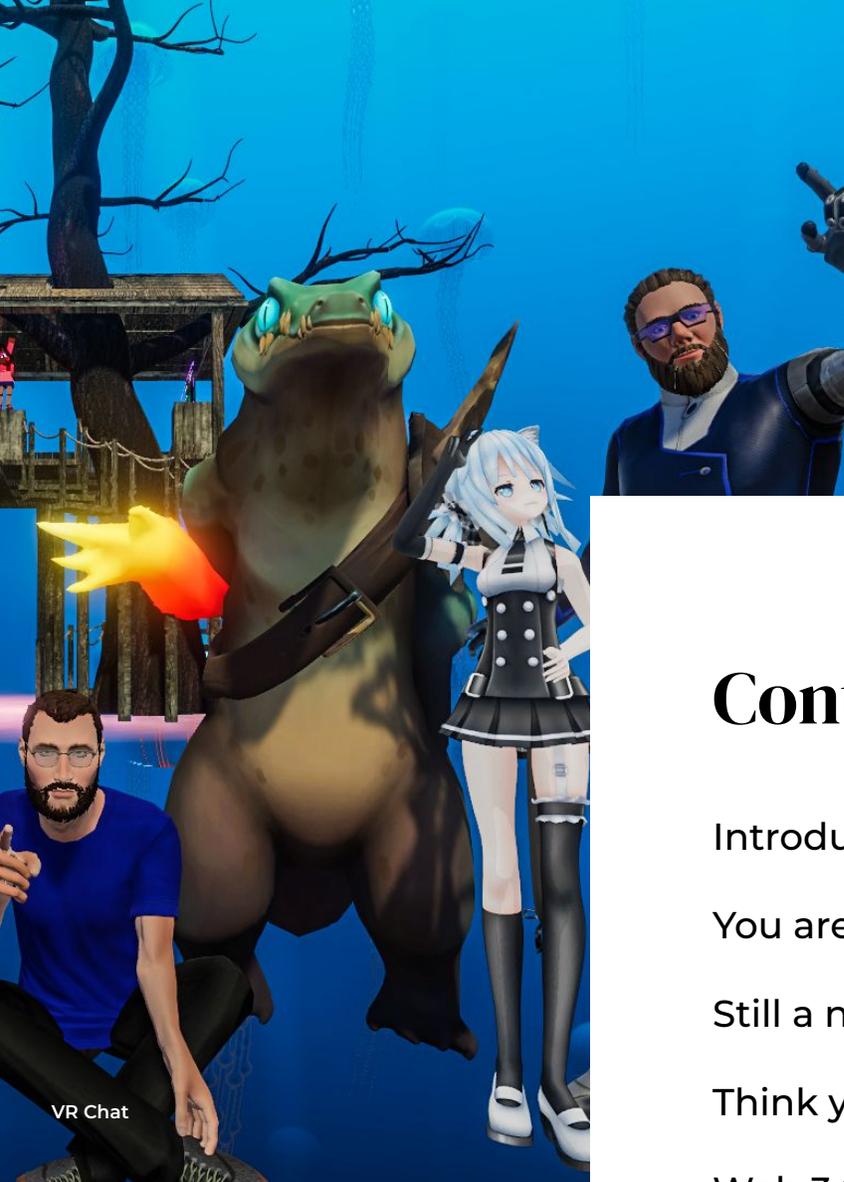


Manifest Metaverse.

A realistic look at the next digital frontier.



At the moment, the metaverse is as much hype as substance, but now's the time to start experimenting.



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Introduction.

It's 2030, people spend a large amount of time in something called the metaverse, a virtual realm populated by virtual towns, planets, and solar systems, where people around the world — of all races, creeds, and abilities — gather in communities, some niche, some large. They're there to work, play, learn, and shop. With the touch of a button, you can run an interactive ad unit across all of these worlds or across only those relevant to your product or service. Perhaps the ad unit is driving people to your in-metaverse retail chain, where they can shop for virtual and real-world goods at the same time. And thanks to blockchain technology, your messaging and activation — whatever shape they might take — will reach all the right people at the right time in a privacy-safe way with absolutely no fraud or waste.

Sound too good to be true? It is.

By some definitions, the metaverse is synonymous with [Web3](#). Built on a bedrock of blockchain, it is a decentralized universe of multiple worlds, governed (if at all) by community groups. The coin of the realm is cryptocurrency, and ownership is proven by NFTs. Thanks to interoperability, users can, if they so desire, travel — and spend — between environments quickly and seamlessly.

If that sounds confusing or if you feel like you've somehow slept through a great leap forward, don't panic. That metaverse doesn't exist. Not yet at any rate.



What the metaverse label is currently being assigned to is a series of walled gardens that users cannot move between. Despite all the hype about brave new worlds, the majority of experiences — and several virtual-reality and augmented-reality offerings — at the moment look a lot like video games. That's because most of them, in some way or another, are.

That's not to say that the metaverse can be shrugged off. There is a change coming, even if we don't know exactly what it will look like. Even at the dawn of the millennium, as consumers and marketers rushed to embrace this thing called the internet, few could have predicted YouTube, Facebook, Twitter, or TikTok.

So what should you do now? At the very least, you should be monitoring the metaverse and, when and where appropriate, experimenting there. We've already seen numerous popular brands launch activations. For major brands, metaverse activations at this point are a drop in their overall marketing budgets, and they typically come with uncritical PR wins in the press. Should you follow suit? That depends on your company, your demographic target, and what you can bring to the table.



You are here.

“The metaverse is a difficult topic to grasp simply because it doesn’t exist, despite the occasional hyperbolic statement to the contrary. It’s not an entity or a thing, neither physical nor digital. It’s an idea built around less demarcation between our physical and digital selves.” – [Jonathan Stringfield, a gaming, marketing, and research executive at Activision Blizzard.](#)

If the metaverse doesn’t exist. Or if it doesn’t exist yet, then where exactly are we? According to Forrester’s recently released [The State of the Metaverse report](#), we are at the “precursor” stage, in which “virtual 3D spaces and objects exist but in proprietary, siloed worlds.” We’re years out from the promise of a decentralized universe with a federated system of worlds that users can roam between.

It could also be argued that “metaverse” is just a marketing phrase. Chike Ume, strategy director of trends and culture at Essence, argued in a recent episode of [“The Take Away Unscripted”](#) podcast, that the reason the word “metaverse” exists is “to provide marketers with a way to spend money.” The word is meant to centralize a messy decentralized realm so marketers and consumers can make sense of it all.

In other words, there is no one definition accepted by the entire industry. GroupM defines a “metaverse” as “a virtual environment, either a broad or narrowly focused community, that supports real-time interactions comparable to those in the real world — a workplace, education, gaming, or general community forum — through the integration of emerging technologies like AR, cryptocurrency, VR, and more, depending on the community.”

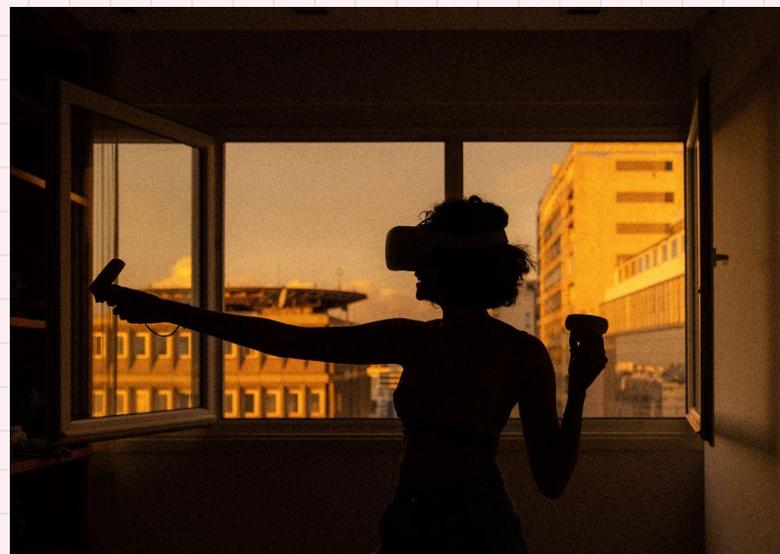
It goes without saying that this definition is likely to evolve.

According to a [report by Bloomberg](#), the global market for the metaverse was estimated to be \$478.7B in 2020 and projected to reach \$783.3B by 2024 at a CAGR of 13.1%.

For the moment, the metaverse remains tethered to its gaming roots and is simply the continued fragmentation of the media ecosystem. It’s a viable media channel for brands looking to capture the hearts and minds of the various youth, early adopter, and tech affinity tribes actively engaging in the metaverse of today.

Most of the action is in somewhat conventional games like “Fortnite” and “Roblox” and [“play to earn games”](#) like “Decentraland,” “Sandbox,” and “Axie Infinity,” in which players can earn digital currency or collect NFTs that have real-world value.

Brands have been piling into this gaming version of the metaverse. A very incomplete list of companies with activations includes Nike, Coca-Cola, Wendy’s, Adidas, Chipotle, McDonald’s, Walmart, State Farm, Hyundai, and Gucci. Numerous ad agencies have also set up offices there.





Still a niche play.

So clearly it's a thriving universe. **Well, that depends on how you define thriving.**

April 2022 Average Daily Active Users

- "Axie Infinity": 107,240
- "The Sandbox": 1,180
- "Decentraland": 978

Source: [CoinDesk, based on DappRadar data.](#)

"Roblox" [reports](#) 54.1 million daily active users for the first quarter of 2022.

"Fortnite" daily active users number 24.2 million so far in 2022. ([Source](#))

For those who remember the first decade of the new millennium, it should be pointed out that "Second Life" currently has [200,000 daily active users](#).

For comparison, [Twitter has 229 million daily active users](#), and [Facebook](#) has 1.93 billion.

None of these games require pricey augmented reality or virtual reality (AR/VR) headsets to play.

That said, during the pandemic, sales of augmented reality and virtual reality (AR/VR) headsets exploded, with an estimated 6.4 million consumer headsets sold in 2020. According to the IDC, headset sales nearly doubled (92.1% YoY) in 2021, with shipments reaching 11.2 million units.

In isolation these numbers are impressive, but to put things into perspective Netflix saw 36 million new subscriptions, Apple sold over 100 million AirPods, and there were 268.9 million smart TVs sold in 2020. Furthermore, with 2.3 billion people in the world over the age of 20, 11 million AR/VR headsets is but a fraction of global adoption.





Think young...

- No, younger than that.

So the worlds seem very small. On top of that, consumer perception and interest don't remotely match the hype. According to a [survey fielded by GWI in 2021](#), when people in nine markets were asked if they'd heard of the metaverse: 33% said they understood the concept, 37% had heard of it but weren't sure what it meant; and 30% were unaware of it.

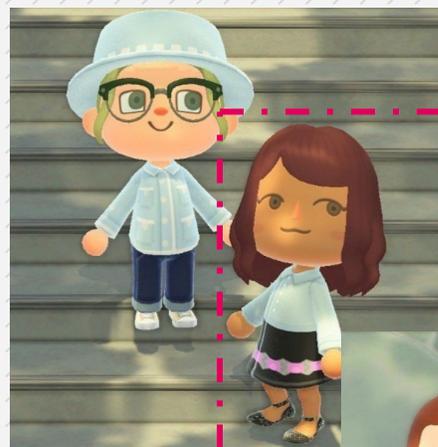
Forget about it, right? **Not so fast.**

Perhaps you've experienced this. The entire family is gathered for the holidays. Six to 10 children are all gathered in the living room, each with a handheld device in front of their face, focused intently. But every once in a while, they shout across the room, laugh, interact. Maybe they're playing "Fortnite" or "Among Us." This dual existence is their reality. And just as GenX didn't stop playing video games when they grew up, these children aren't going to stop this behavior.

The metaverse isn't being built for GenX or even Millennials. It's being built for GenZ, Generation Alpha, and whatever comes after. If you're at all concerned about future growth — and who isn't — experimenting in the metaverse is a good place to start.

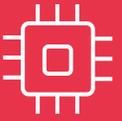
[According to YPulse](#), 88% of GenZ play video games that bring them into a virtual world. And 74% of Millennial parents say their children play virtual-world games like "Roblox," "Fortnite," "Minecraft," and "Animal Crossing." Fifty percent of those GenZers report just hanging out with friends in these spaces, which aren't simply games to the younger generation, but also serve as communities akin to a virtual town square.

As of February 2022, "Animal Crossing: New Horizons" [has sold 37.62 million copies](#). The NBA 2K franchise [has sold over 8 million copies](#) and boasts 1.9 million users a day on average. These games might not come immediately to mind as "metaverse" but they're both highly interactive virtual worlds. Brands as varied as Marc Jacobs, Hellmann's, and Netflix [have done activations in "Animal Crossing."](#) The NBA 2K games [offer players a long list of fashion brands](#) to deck out their virtual sports stars.



"Animal Crossing: New Horizons" Nintendo





Wait, what about **Web3**, the **blockchain**, and **cryptocurrency**?

This is where things get extremely complicated, as well as fractious. According to some definitions of the “metaverse,” the blockchain will be its foundation. It will exist in a Web3 world beyond our current url-based world wide web or soon-to-seem primitive social media apps. Just how this world will be accessed is unclear.

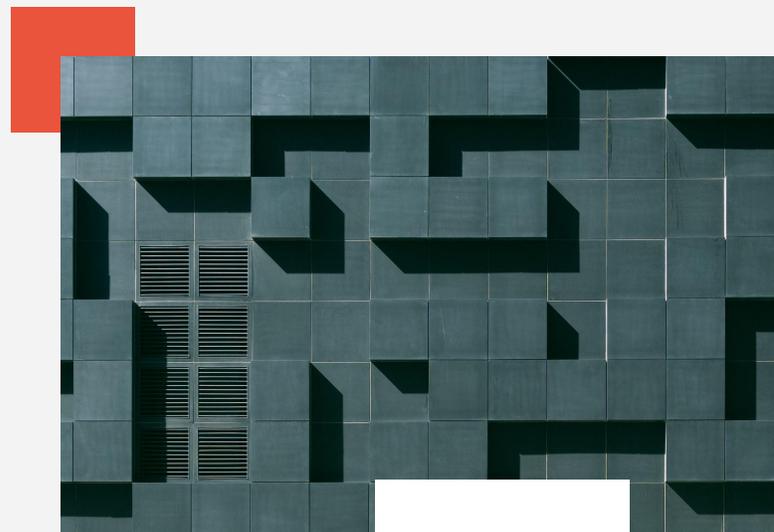
Forrester believes the metaverse “won’t require Web3 technologies like blockchain and won’t depend on cryptoeconomic systems to operate.” Even within the ranks of Essence there is disagreement about how fundamental these will be to the metaverse. Some very passionately believe they’re key. Others not so much.

What both sides agree on is that most consumers won’t care how it works as long as it works (and as long as their personal data is safe) — just as they don’t know or care exactly how the web or social media work beyond some vague notion of “algorithms” — and that we’re a long way off from Web3. “Web3 is a complete restructure of the internet,” said Chris Humber, VP of commerce at Essence and a staunch believer in the potential of Web3. “That piping isn’t even in place yet.”

We also aren’t near broad consumer adoption of cryptocurrencies and NFTs. Both strike the average consumer as confusing, speculative, and possibly dangerous.

At the time of writing, crypto is experiencing a very bad PR cycle as part of the market collapses. For the average consumer who isn’t a leading-edge technophile, there are also matters of interoperability, accessibility, ease of use, and other barriers to entry. From a brand’s point of view, this is a fairly easy “wait-and-see” decision. Study it now, but you don’t have to worry about implementing payment processes until it hits wider adoption.

NFTs have found favor with early adopters in the tech, celebrity, and branding worlds. But according to [CoinDesk](#), for the average person, “NFTs are still tainted by their association with energy-intensive proof-of-work blockchains ... and with an industry that’s seen as a home for grifters and accelerationists.”





As of this writing, The Wall Street Journal [was reporting that the NFT market was flatlining](#), with daily average sales “experiencing a 92% decline from a peak of about 225,000 in September, according to the data website NonFungible.”

This prompted the paper to posit the question, “Is this the beginning of the end of NFTs?” It’s entirely too soon to tell. Remember that the QR code was consigned to the dustbin of history until the COVID-19 pandemic dramatically changed business needs and consumer behavior.

For certain brands, there’s no reason not to experiment with NFTs. But they should do so with caution. When McDonald’s created an NFT drop tied to the McRib sandwich last year, someone included a racially insensitive message as part of a transaction. As CoinDesk [wrote about the incident](#), “It highlights the risks involved with public companies working with blockchain, where almost anyone can post a transaction for all to see. And posts on the blockchain are forever.”

Which brings us to the wider issue of brand safety.





Brand safety.

Aside from audience size and the familiarity of gaming, there's another reason brands are piling into things like "Animal Crossing," NBA 2K, and "Roblox": brand safety.

"Roblox," as a walled garden owned by one company, is relatively safe. Built primarily as a kid's game and with over half its audience under the age of 13, the universe operates accordingly. It has a fairly thorough set of community standards and machine-screens 100% of chats. But it remains a live environment and the company can't monitor 100% of content. Human content moderation only comes into play if a complaint is filed.

And a truly open metaverse will be largely user-generated and unregulated. In some cases, users will not want their spaces policed in the first place. If actual interoperability is achieved, it becomes that much trickier if not downright impossible. Gaming platforms are already home to vulgarity and harassment. Throw politics, dating, and poorly gated adult-only content into the mix and, well, it's a lot like the real world.

In April of this year, the U.K.'s Channel 4 aired a documentary called "Inside the Metaverse: Are You Safe?" in which journalist Yinka Bokinni donned a headset and entered a virtual world. [Writing about it in The Guardian](#), she reported that "within the first 10 minutes of putting on a VR headset and entering a chat room, I saw underage kids simulating oral sex on each other. I experienced sexual harassment, racism and rape jokes. At one point, I heard someone say 'I like little girls from the age of nine to 12: that's just my thing.'"

Clearly, this is not the sort of thing brands want to be associated with.

But, for many of the metaverse's pioneering users, "the point is it's unregulated," notes Dan Hawkrige, director of product innovation and data science at Essence. "You don't have that level of brand safety."



As the metaverse expands, there will be some corners more fit for brands than others. As in the real world, companies will have to consider their products, their target audience, potential partners, and the context before venturing in. After all, some brands might find even current metaverse-type games a little too risky. "Fortnite," for example, might be seen as too violent. The abundance of children in "Roblox" might make it a no-go for others.

Companies will need to keep in mind what consumers are worried about as well. According to [Wunderman Thompson data](#), among those who know what the metaverse is, their top concerns include privacy, data protection, children's safety, and bullying.

But there will likely be no shortage of offerings as we move forward. Sony and the family behind Lego [are investing \\$2 billion in Epic Games](#), the maker of "Fortnite." Epic and Lego also announced they were co-developing a "family-friendly" metaverse for kids



Another brand safety issue:

Sustainability.

The metaverse, if seen solely as a virtual world where people can gather without leaving the home, would seem like a boon for a net-zero future. Scaling back commuting and work travel would cut down carbon emissions. Beyond that, simulations for everything from medical students performing surgeries to employees being onboarded to factories tweaking production lines would realize financial and energy savings. In retail, it's been shown that augmented-reality fitting rooms help reduce the return of clothing — and the waste associated with it — by up to 36%(1).

But then there's the issue of the underlying technology: it is a large contributor of greenhouse gas emissions.

First-generation cryptocurrency requires users to validate transactions by solving a complicated mathematical problem. That requires massive amounts of computing, which requires a lot of electricity. Ethereum, a major crypto player that uses this “[proof of work](#)” validation scheme, and which is the underlying blockchain of metaverse players like Decentraland and Sandbox, uses by some estimates [45,000 gigawatt hours per year](#). Ethereum is also one of the predominant crypto players in the NFT sector.

But Ethereum is looking to transition to “[proof of stake](#)” with the launch of Ethereum 2.0, which would reduce its energy consumption by 99.5%(3) when it finally rolls out. Later generation cryptocurrencies like Solana, Polkadot, Cardano, and others also use “proof of stake,” which will lead to lower energy consumption.

Keep in mind that this is simply the underlying energy consumption of the metaverse and doesn't factor in the power or e-waste generated by the access, experience, and maintenance demands of the metaverse.

Think about it like this: To access the metaverse, users need digital devices. Building this technology requires energy and natural resources, such as finite metals. Then the consumption patterns of consumers, driven by design and marketing, create an influx of e-waste as products are thrown away to make room for new releases.

Making the metaverse feel as immersive as possible requires large datacenter processing servers. These all consume massive amounts of energy and translate to an increase in carbon emissions. For example, [researchers at the University of Massachusetts, Amherst](#), found that training a common large AI model can emit more than 626,000 pounds of carbon dioxide.

Brands committed to minimizing their environmental impact need to factor in the carbon footprint of any activity, including their marketing efforts, as a starting point. Data is energy and energy is carbon. If sustainability and a net-zero future are central to a brand's promise, it should do due diligence before hopping into the metaverse.

— **Laura Wade**,
VP, head of sustainability at Essence
— **Zoë Brook**, strategist







A win for accessibility.

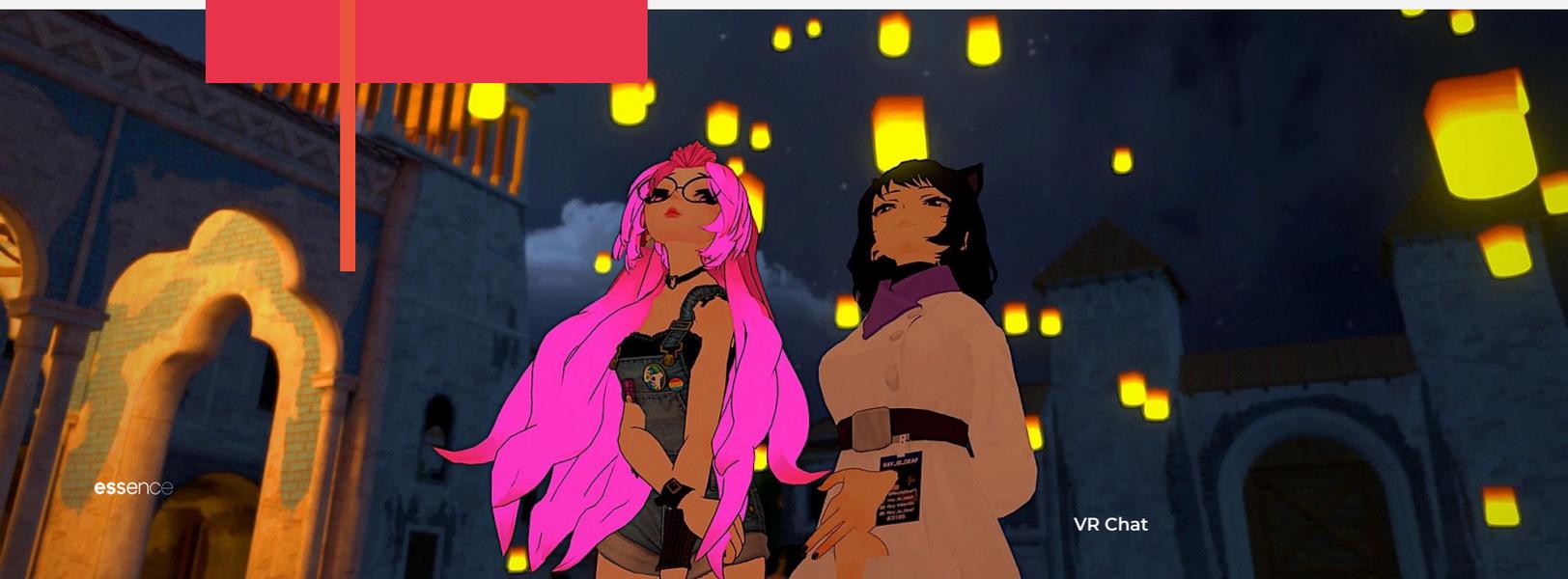
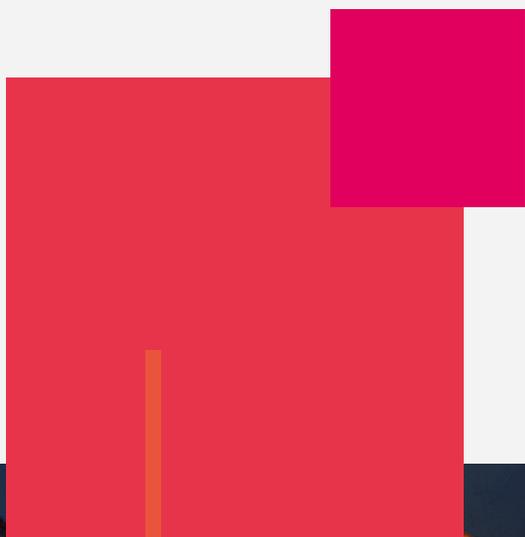
The metaverse will undoubtedly have a number of issues regarding representation and accessibility, but there are still early glimmers of hope.

- **Non-Fungible People.** Software company Daz 3D released a collection of 8,888 female and nonbinary avatars to encourage inclusivity in the metaverse.
- **Wheel Cards.** Startup Door Labs released a collection of NFTs representing people with disabilities timed to the Tokyo 2020 Paralympics.
- **Metathon.** Unilever's Degree brand hosted a marathon in Decentraland that included an inclusive avatar library and accessible architecture like wheelchair ramps.

That other accessibility issue

A lot of the boosterism about the metaverse seems to assume a level technological playing field. Putting aside the more confusing aspects of the metaverse like crypto and NFTs, there remain three major impediments to widespread adoption:

- **Bandwidth requirements.** A fully functional, large, and live metaverse could require 2 to 5 Gbps for success. That's about 50x the current average broadband bandwidth in the U.S.
- **Computational power.** Intel estimates that a 1000x increase in power is needed to sustain the metaverse at a global scale
- **Hardware accessibility.** Global shipments of augmented and virtual reality (AR/VR) headsets will hit 16.5 million in 2022, up more than 5 million or 32.1% from last year. For comparison, Nintendo sold 28.3 million Switch units in 2020 alone. Apple seems to be close to releasing its first stab at a headset, but that brings up the issue of price. Initial reports estimate the unit will cost \$2,000.





Could B2B and remote workers bridge the gap?

While the world waits for younger generations to grow up to see how they'll take to the metaverse, what about the current crop of adults? Could something drive them to take up headsets and enter virtual realms the way that tablets and mobile phones opened the doors for Boomers to take to Facebook?

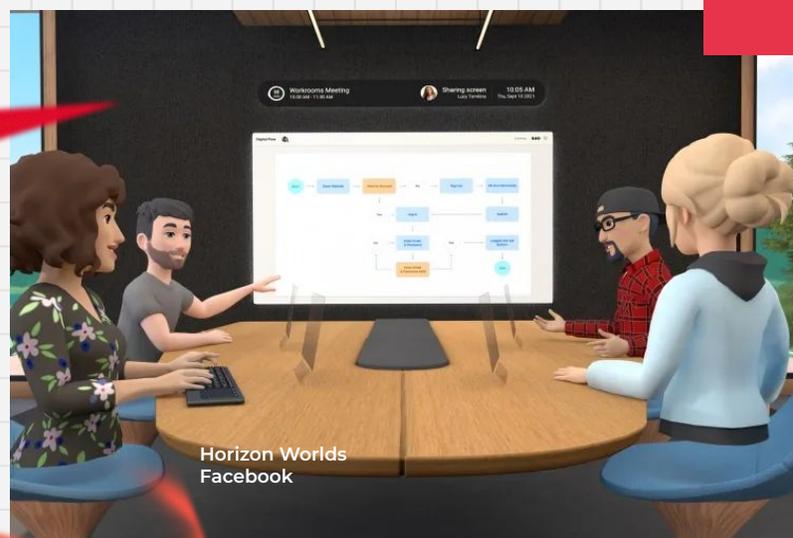
Business-to-business brands might just be the key. They are emerging as catalysts with the financial means and business acumen to carry the metaverse across the chasm of fantasy to reality, infusing the necessary hardware into the daily routines of [1 billion knowledge workers around the world](#).

When the world stopped and employees everywhere were sent home, it ignited a revolutionary change to how the world works. B2B brands stepped to the plate offering Web 2.0 solutions to maintain productivity everywhere. Through this experience, organizations and knowledge workers recognized that the idea of spending 40 hours in an office environment needed to be re-imagined. But for hybrid or remote work to remain, solutions that enable greater presence and collaboration that sustain attention are critical. With their HoloLens and Meta Quest headsets, Microsoft and Meta are two brands emerging as catalysts for mass adoption.

[Mesh for Microsoft Teams](#) combines mixed-reality capabilities enabling people to share holographic experiences, and [Meta's Horizon Workrooms](#) lets people come together to work in the same virtual room. While each solution will be initially available in both virtual reality and web experiences, VR's ability to immerse users into virtual environments can eliminate the countless distractions remote workers face daily.

Another driver is the [virtual workspace environment](#), from workspaces with unlimited monitors to customizable virtual offices with water features that may or may not include Niagara Falls. Our need for laptops, monitors, and countless other accessories, not to mention commercial real estate, could be made obsolete. The opportunities are endless and create a rich environment for B2B creators. Although success is contingent on the experience, if Microsoft and Meta can successfully deliver the hardware into the hands of millions across the globe, B2B may very well be the source of the metaverse's next growth cycle.

—Joshua Eubanks,
associate director of strategy, Essence





The case for jumping in now

“If we don’t start experimenting now you’re not going to build up a body of learning so that when it does become more substantive you’ve at least found a role for the brand in this sort of space. You’re coming into the space behind everyone else. ... Better to run some experiments and embrace failure.” – Jon Gittings, exec VP of strategy, Essence

The metaverse may seem small. It may be overhyped. It may seem alien or dangerous. But it — or some version of it — is likely to be a fundamental part of the future landscape. According to YPulse, 57% of GenZ have created an avatar in a video game, 48% have created an avatar on social media, and 27% have followed a virtual person on social media. On top of that 32% report having purchased virtual or digital goods.

A Wunderman Thompson survey found that, among those who know what the metaverse is, 82% said it will be a place to socialize, 70% said it will be a place to shop, and 68% said it will be the future of e-commerce/online shopping. Sixty percent said brands should be manufacturing and selling digital products alongside physical products.

That said, it might be best not to get hung up on the technology itself.

Essence strategists don’t consider the metaverse so much a specific type of technology as a broad shift in how we interact with technology.

Using AR filters and Bitmoji on your phone. Playing “Roblox” or other open-world games on a PC, console, or table. Putting on a VR headset to immerse yourself in a platform like Meta’s Horizon. All of these are “the metaverse.”

With that in mind, marketing in the metaverse will be like marketing anywhere else. You need to address consumer attitudes, behaviors, and needs — those in the real world and those in the virtual worlds.

Marketing almost always comes back to providing a solution to a problem. That problem might be solved by a product or service. If a person is bored, it could be solved by entertainment.

“If your metric is ‘I want people to love X brand,’ the best way to do that is and always has been to solve a problem,” said Chike Ume in a recent episode of “The Take Away Unscripted” podcast. “What problems are you solving in the metaverse?”

Providing VR headsets to people already at a concert so they can interact with your brand isn’t very helpful. Providing a VR experience of a concert to people who can’t make the concert is helpful. Offering an in-world replica of your restaurant to characters who can’t eat isn’t very useful. But if your virtual restaurant can heal or strengthen in-game players, that could be a win. Maybe there are no cars in a particular virtual world, but that’s not to say a car brand couldn’t figure out a relevant and respectful way to provide transportation.





Successful brands will be an organic part of metaverse communities by providing relevant solutions to actual problems and meeting in-world needs or real-world needs.

This could go as deep as helping bring the metaverse itself to life by developing the technical tools that will power the metaverse or perfect the end user experience. For most, focusing on how the brand and its consumers exist within the metaverse probably makes more sense.

To that end, in-metaverse activation choices range from the familiar to the new.

- **Ad placements and product placements.** Familiar media does exist within the realm of the metaverse. Billboard space and copious product placement can be seen in NBA 2K and there's no reason to think it won't exist in other worlds.
- **Retail/E-commerce.** Brands including Forever 21, Fred Segal, and Estee Lauder have opened or plan to open retail space in the metaverse where consumers can buy a mix of virtual and real-world products.
- **Events.** Decentraland hosted a Metaverse Fashion Week in March 2022, with appearances by the likes of Dolce & Gabbana, Dundas, Tommy Hilfiger, Philipp Plein, Fred Segal and Karl Lagerfeld. The 64th Grammy Awards were presented in Roblox from March 30 to April 3, 2022. Fortnite has played host to concerts by performers like Ariana Grande.

- **NFTs.** Coca-Cola, Gucci, Nike, Adidas, and others have all issued some form of NFT. If a product drop or collectible doesn't make sense for you — and there's a good chance it won't — try something else. Although it's unclear exactly what it will look like, [Starbucks announced it will be launching an NFT loyalty program.](#)
- **Owned Metaverses.** [Nike launched Nikeland in "Roblox."](#) Inspired by Nike's real-life headquarters, it's a place where visitors can participate in games such as tag, the floor is lava, and dodgeball. On top of that, with a provided tool kit, players can design their own mini-games.

There is no shortage of examples of brand activations in the metaverse. Wunderman Thompson's ["New Realities: Into the Metaverse and Beyond"](#) report released in May of this year dives into a number of notable examples.

It's too soon to say how successful any of these activations are. One of the few measurable results of early brand activations in the space is almost-guaranteed news coverage. For the moment, that's likely the best ROI that brands can expect. The ways you've measured PR success in the past — including news mentions, exec profiles, and social-media buzz — is likely to work here. For those expecting more vigorous measurement, now's the time [to start thinking of new frameworks.](#)





But it wouldn't hurt to try to think of new approaches to activation, either. Ad creative has not kept pace with audience expectations nor the shift to digital platforms. Too many companies are still starting with a 30-second TV spot and then cramming it into places it's not meant to go and where no one wants to see it. As it is, more traditional forms of marketing like product placement [have received blowback from players](#). And some have questioned the point of simply opening virtual-world versions of your real-world locations. Maybe this isn't the space to repurpose legacy marketing, advertising, or thinking. Try to figure out where these audiences are heading and what they'll need when they get there — then create something unique for that context.

"If you're putting out marketing that's ill thought out, badly targeted, people are going to get frustrated with it," said Toby Roberts, head of strategy, EMEA, at Essence.

If your company has the budget and appetite for it, it's better to experiment and fail at these early stages. Perhaps you'll get roasted by in-world citizens. Or perhaps you'll reach an entirely new demographic. Maybe your experiments will change brand perception or, when the infrastructure is in place, drive actual conversions.

Rome wasn't built in a day. The metaverse won't be either. And the sooner you start trying to figure it out, the better prepared you will be when it takes off.

As [Arun Sundararajan, a professor at NYU Stern School of Business, writes](#): "It's easy to forget how long it took established companies to figure out how to navigate Web1 and make meaningful connections between the internet channel and their existing businesses. Walmart started actively selling online only in 2000, a full 6 years after Amazon's founding."



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Thank you.

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