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Thinking about investing in the metaverse? Let history be your guide

By **Mike Bechtel** *and* **Nelson Launer**

Thinking about investing in the metaverse? Let history be your guide

To plan how and when to jump into the metaverse, consider your use of existing web technologies

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Illustration by Matt Lennert Source: Adobe Stock/Aboltin

You've heard enough about the metaverse to know what it is and how important it could become, but how and when do you plan your business's first move?[1]

When we consider the metaverse not as an unprecedented revolution but instead as an evolution of the web, we can hypothesize that companies' present web strategies—their use of both Web 1.0 sites and Web 2.0 platforms—can be used as predictors of their future metaverse use. These use archetypes fall into three primary categories.

Promoters: Advertising existing offerings

Even though Web 2.0 is nearly 20 years old, most companies' core offerings still exist outside the internet. Consider that e-commerce sales in 2021 accounted for only about 13% of total sales in the United States.[2] However, it's still the rule, not the exception, that companies maintain an online presence, even if it's one with limited functionality and flexibility. From plumbers to professional services firms, most businesses are expected to have basic web pages with information about their offerings.

Similarly, some companies will probably use the metaverse as a simple brochure for their products and services. For example, they might purchase ads in a virtual reality storefront or an augmented-reality–enabled billboard. Although they'll have a metaverse presence for the sake of promotion, their core business models probably won't change materially. If you've used Web 1.0 sites and Web 2.0 platforms for business promotion only, that's probably how you'll use the metaverse.

For these organizations, there's less urgency to take immediate action. Companies in this group have the luxury of avoiding risk and uncertainty by waiting to see how the metaverse unfolds. They might delay investing until one or more metaverse platforms begin to command significant market share.

Plussers: Augmenting existing offerings

For others, the metaverse could provide an opportunity to "plus" today's offerings in richer, more engaging, and more brand-enhancing ways. Consider the decrease in in-person retail sales during the COVID-19 pandemic.[3] A few consumer brands began experimenting with metaverse storefronts,[4] allowing consumers to recreate aspects of the in-person experience, yet they still depend on traditional e-commerce platforms to drive sales.

A portfolio of traditional web and emergent metaverse properties can work together to help these companies diversify their sales channels. Sales and business operations likely stand to be substantially altered but not completely metaverse-dependent.

Companies that already use social media to engage customers while relying on an e-commerce site as their primary go-to-market strategy are probably plussers and will likely approach the metaverse in a similar manner. They will have more urgency to act than businesses in the first group, but they still have the flexibility to wait and see how the metaverse unfolds.

Consider the enthusiastic dawn of Web 2.0, when some restaurants tried their hand at rich online experiences. As it turned out, restaurant-goers of that time only wanted hours of operation, a digital menu, and a to-go order form. Later, as technology and customer expectations evolved, restaurants successfully leveraged third-party platforms to "plus" their core businesses with to-go orders and meal deliveries. In that vein, as customer expectations become clearer, plussers will continue to cook up new ways to leverage the maturing metaverse to augment and enrich their core offerings.

Pioneers: Architecting new offerings

Pioneers see the metaverse as a newly open frontier to be settled. These are the risk takers, innovators, and builders who are already pouring billions of dollars into key foundational metaverse technologies, platforms, products, services, content, and other enabling components. Their first-mover inclination is in service of their goal: sustainable competitive advantage.

Businesses in this group could face a high degree of risk. According to one study, the yearly failure rate for dot-com companies averaged 14%, peaking at about 20%.[5] But the same study showed that dot-com firms' failure rates were on par historically with those from other emerging industries, suggesting that some risk is necessary to reap the rewards of being a successful first mover.

Bloomberg Intelligence expects the global metaverse revenue opportunity to approach US$800 billion by 2024.[6] Competition for a piece of this pie is expected to be fierce,[7] so startups and incumbents that are comfortable with the risk should probably already be making investment moves.

In determining your organization's metaverse strategy, consider how your customers might be interacting online in 20 years. How might this consumer behavior intersect with your future business models and capabilities? By evaluating how your company evolved through the Web 1.0 and Web 2.0 eras, you may yield a pragmatic indicator as to when to consider ramping up your investment strategy.

Mike Bechtel
mibechtel@deloitte.com

Mike Bechtel is a managing director and the chief futurist with Deloitte Consulting LLP in the United States.

Nelson Launer
nlauner@deloitte.com

Nelson Launer is a senior consultant with Deloitte Consulting LLP in the United States.

Endnotes

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Where global execs stand on making health equity a business priority

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The potential impact of a broken DEI promise

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Making smartphones live longer—and greener

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Investing in creative potential

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The end note: The shifting balance between health, safety, and financial concerns

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The shifting balance between health, safety, and financial concerns

Some research and insights have a short shelf life, while others continue to gain color and context. In each issue of Deloitte Insights Magazine*, we look back on research we published and ideas we pitched, and evaluate whether they've stood the test of time.*

By **Stephen Rogers**
Managing director of Deloitte's Consumer Industry Center

What we said then

"In the span of a few months, what started as a global health crisis morphed into an economic one as well. It's been more than a century since the world has seen these two forces so intertwined. We do not expect to see a return to normal, or even a new normal, until total concern descends from its elevated level and financial concerns overtake those of immediate health and safety."

In the throes of a dual-front crisis: Establishing the road to a global consumer recovery, Deloitte Insights, April 2020.

What we say now

We're still in a dual-front crisis, according to the Deloitte Global State of the Consumer Tracker. However, after lagging behind for the better part of two years, financial stress is now overpowering health and safety concerns as the primary determinant of consumers' decision-making by quite a strong margin.

Following omicron, global pandemic anxiety subsided dramatically among the 23,000 respondents across 23 countries who participated in our monthly consumer survey. Consumers' perceived safety of doing everyday things like going to the store quickly reached two-year highs, and it continues to improve with each passing month.[1]

At the same time, record inflation continued unabated, exacerbated by geopolitical conflict. And with government stimulus programs no longer around to help consumers make ends meet, financial sentiment metrics have begun flashing warning signals. Globally, financial anxiety is high—as is concern around inflation, and consumers' level of savings and credit card debt.[2] In some countries, including the United States, China, and England, discretionary spending intentions are weakening.[3]

In many ways, consumer businesses face similar challenges compared to early pandemic days. They still need the agility to respond to rapidly changing consumer behavior. And few can predict the extent of the financial headwinds that lie ahead.

Even as the pandemic gradually fades, many companies are finding that prepandemic financial and forecasting models no longer work. The "new normal" remains elusive.

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CONTACT
Email: insights@deloitte.com
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