

THE METAVERSE IS THE MEDIUM

 **MMA**



**CULTURE
GROUP**



FOREWORD

I joined the MMA Board hoping that we could help marketers pull together the insights and resources we need if we are to thrive in this diverse, fast-changing region. We've called this initiative '#ShapeTheFuture' and it has never been more relevant. The way people and brands engage is constantly evolving, and today it is closer, more personal, and depends on brands behaving with great authenticity. The combination of this with the continued rise of mobile consumption and acceleration of all things digital during the global pandemic, plus the emergence of Gen Z as Asia's largest demographic segment, presents us with an absolute transformation in the way brands and consumers interact.

In response to these rapid changes, the MMA has launched a series of thought leadership initiatives to help marketers better understand how people live today, and how their habits will change tomorrow. The insights from our *Enter the Metaverse* whitepaper clearly demonstrate the emergence of virtual worlds and immersive technology as a thriving home to Gen Z consumers and the progressive brands which serve them. At the MMA, we believe the best way to thrive – and the only way to survive – is to capture this zeitgeist. I hope you enjoy the paper as much as we enjoyed putting it together, and I look forward to seeing you on our *Enter the Metaverse* webinar on August 24th at 2pm SGT.

David Porter 裴德为
Chair, MMA - Asia Pacific
VP Global Media, Unilever - APAC & Africa

TABLE OF CONTENTS

05 Section I Enter the Metaverse

- Background
- Welcome to the Metaverse
- What is the Metaverse?
- Global Trends, Local Lens
- Introduction to Web3
- Open vs. Closed Worlds
- NFT's

13 Section II Virtual Worlds, Real Engagement

- Marketing Ecosystem
- Metaverse Components
- Component Use Cases
- Key Players
- Category Highlight: Luxury's New Market

38 Section III Metaverse Marketing Mindset

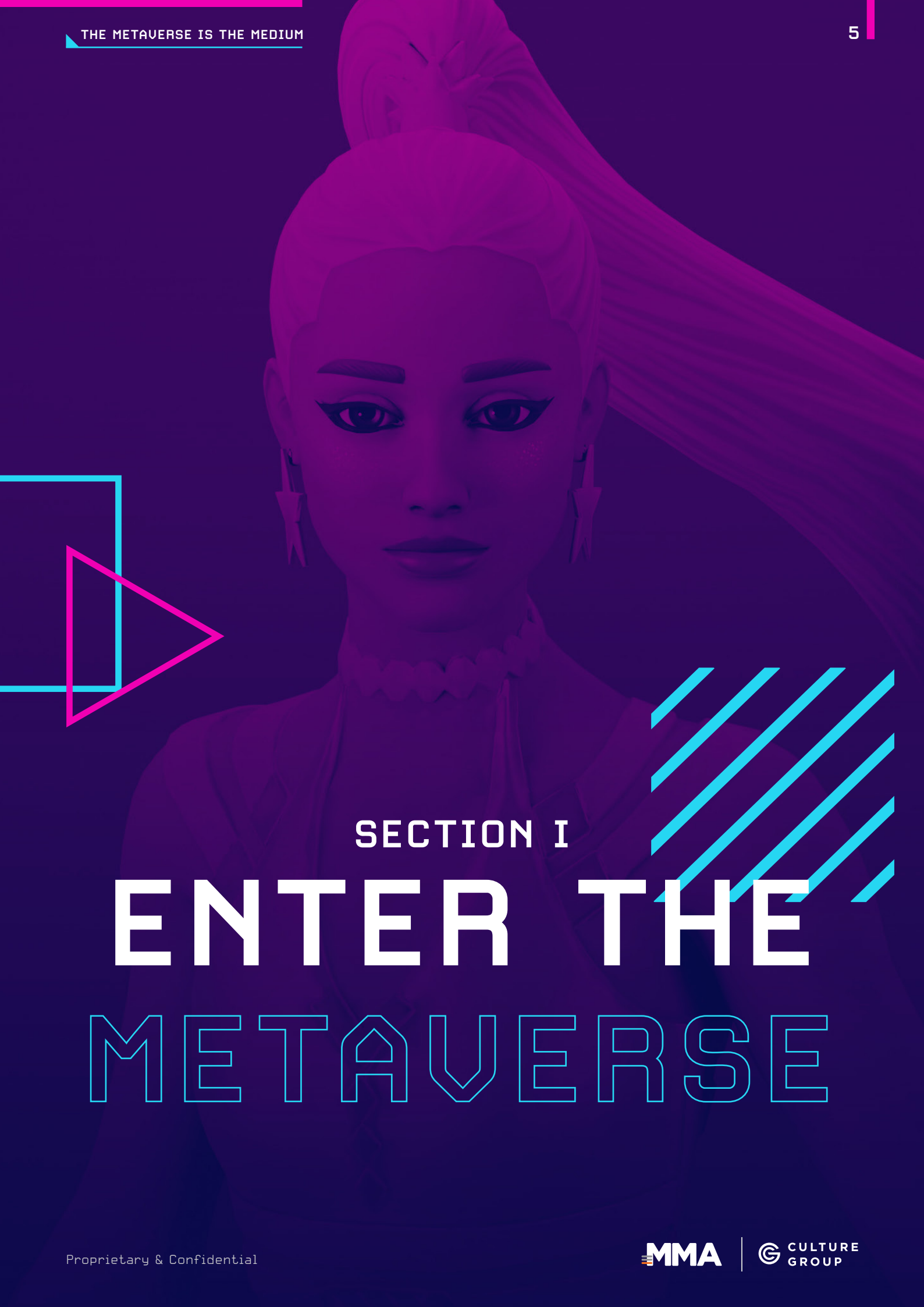
- Understanding Brand Role
- Success Drivers
- Closing Summary



BACKGROUND & CURRENT LANDSCAPE

With the advent of affordable mobile devices and rapidly improving connectivity speeds, Asia's Gen Z consumers and their millennial counterparts have taken to digital consumption in a manner unrivaled by their global peers; consuming content, purchasing products, socializing with friends and playing games. There are 3bn people today who identify as gamers and over 55% of them live in Asia. ([Newzoo](#)). ([Statista](#)). The rise and dominance of games, esports, interactive technology and the broader creator economy in Asia represents a transformative shift in consumer attention, which has proven doubly true in the past 18 months as the global pandemic has led to an increase in over 40mm in first time internet users in Southeast Asia, bringing the total number of internet users in the region to 400mm. ([Bain & Co](#))

With Gen Z and Millennials set to comprise half of all consumers in Asia by 2025, marketers seeking to win this consumer class need to focus as much attention on what is 'New & Next' as they do on what is 'Now'. What's 'New & Next' is an interconnected virtual world based on Web 3.0 ('Web3') technology, an environment in which users don't distinguish between the physical and digital, more so, they expect all of their friends, goods and experiences to be connected virtually. This interconnected, live, persistent virtual world is the Metaverse.



SECTION I

ENTER THE

METAVERSE



10.7mm people attended Marshmello's concert in Fortnite in 2019

While recovery from the global pandemic has proven to be inconsistent across Asia, one aspect that is constant is the rise of consumer passion points which drive share of eye, ear and (digital) wallet. In this context, the growth of the Metaverse – shared virtual worlds that seamlessly blend applied game mechanics, MILE (massive interactive live events), blockchain enabled digital goods, and virtual commerce, present the new battleground for consumer attention and brand preference.

The word “Metaverse” is made up of the prefix “meta” (meaning beyond) and the stem “verse” (from “universe”); the term is typically used to describe the concept of a future iteration of the internet, made up of persistent, shared, 3D virtual spaces linked into a perceived virtual world. While definitions of the Metaverse vary, there are common themes

and characteristics that are consistent in each definition, which we highlight later.

“The Metaverse is a ‘successor state’ to the modern internet, with all the same content but fewer limitations as to where and how that content can be accessed. Current online platforms allow users to move about somewhat freely within the confines of specific services, but limit interoperability between platforms: you can build anything in “Minecraft,” but you can’t transfer your creations into a “Fortnite” map. The Metaverse will allow users to generate their own content and distribute it freely throughout a widely accessible digital world.”

- Alexander Lee, Reporter, Digiday

While these worlds may be virtual, the opportunity for brands to thrive commercially within them is very real. Developing the cultural, commercial and creative knowledge to succeed within them has never been more important as brands establish an authentic virtual identity and enhance the lives of consumers. This is particularly true when engaging Gen Z, who generally does not distinguish between virtual and offline experiences. A recent facebook survey found that 77% of global consumers now say the most important group they are a part of operates online¹.

Written by leading pop culture marketing agency Culture Group, this document seeks to provide marketers with:

1

An understanding of the Metaverse and Web3

2

Ways in which marketers, platforms and media companies have successfully leveraged the Metaverse to build brands and business

3

The resources and capabilities needed to ensure success within the ever evolving virtual landscape



GLOBAL TRENDS, LOCAL LENS

Key Factors that are driving the growth of the Metaverse and interactive technology in Asia include:



Demographics

Digital native Gen Z will make up 25% of APAC's population by 2025. Combined with their millennial counterparts, they will compose half of APAC consumers. ([McKinsey](#))



Mobile-First

Out of the top ten mobile consumption markets worldwide, Asia holds six of the spots (CN, IN, ID, JP, VN). Southeast Asian countries make up two of those six. Underpinning nearly all components of the Metaverse is our belief that **mobile is the medium**. 90% of consumers in the region use smartphones to access the internet, clocking on average more than four hours per day on apps, more than an hour longer than any other region in the world. ([NativeX](#))([Newzoo](#))



Digital Payments

Asia's \$2.45tn in e-commerce sales accounted for 62.6% of the global total in 2020. Global users of electronic wallets skyrocketed from 500mm to 2.1bn from 2017 to 2019. China and India accounted for 70% of all users. ([Deloitte](#))



Social Commerce

26% of internet users say they discover new brands and products through ads on social media, and 22% rely on recommendations/comments on social media. ([WeAreSocial](#))



Video Consumption

Total video streaming minutes on mobile grew 30% between Q1/2 of 2020. ([Intelligence Insider](#))

WHAT IS WEB3?

While the Metaverse represents a set of live and eventually interconnected online experiences, it is enabled and characterized by the inclusion of many transformative trends that are familiar to progressive marketers. These include shared social spaces, digital payments, and gamification. The future of the Metaverse, however, will be characterized by dominant advancements that are less familiar to most consumer marketers; most notably blockchain technology, cryptocurrencies, digital goods, non-fungible tokens (NFTs), and personal avatars.

Ultimately, the Metaverse is a representation of the full functionalities of Web3, the forthcoming third generation of internet services that will leverage machine learning and decentralization to provide more immersive, connected, and open web-based experiences. The advent of the Metaverse and Web3 presents a significant opportunity for brands to play a more defining role in creating owned and co-created customer experiences online.

CHARACTERISTICS OF THE METAVERSE

It's important to identify the generally accepted characteristics of the Metaverse. No shortage of experts have included these aspects in their definitions, which are summarized below.

Social: The ability to share virtual environments with other people within a world and have a true sense of presence is a crucial element of the Metaverse

Hardware Agnostic: These digital worlds will be able to be accessed from many different forms of hardware. Users can interact with these worlds with everything from extended reality (VR/AR) devices, to mobile, tablet, and wearables, etc.

User-Generated Content: The Metaverse will be heavily creator-driven and will be populated with content and experiences made or enhanced by users themselves

Live and Persistent: The Metaverse will be a parallel reality that exists in real-time and never stops

Economically Fertile: Digital worlds will have fully functioning economies based on cryptocurrencies and offer opportunities for buying, selling, investing, and true ownership

Bridged Worlds: Users will be able to seamlessly jump between virtual worlds and bring elements from one world to the next. These digital worlds can also interact with the physical world in the form of access points (such as QR codes) and hybrid physical/digital product ownership

CLOSED WORLDS VS. OPEN WORLDS

The Metaverse is made up of various digital “worlds.” What makes these part of the greater Metaverse is their emphasis on decentralization and the wide range of experiences that one can have in these worlds – many of these experiences being user-generated. These digital worlds exist on a scale from centralized (closed worlds) to decentralized (open world).



CLOSED WORLDS

The current state of the Metaverse can be best described as Web 2.0 vs. Web3. Web 2.0 is where virtual engagement tends to have a closed ecosystem. Users can create and/or participate in player-driven experiences and these worlds tend to be more fun and focused on game creation as opposed to the digital economy like decentralized worlds. Current examples of Web3 based worlds with Metaverse properties are game centric and include Minecraft, Fortnite, and Roblox.

The Metaverse today is mostly a series of closed worlds or ‘walled gardens’ in which the content, commerce, and consumer experiences live specifically within that virtual environment and cannot be taken out from there. For example, a player in Fortnite who purchases a digital good in Fortnite is not able to take that item into a different virtual environment. Similarly, that player cannot seamlessly move from Fortnite into another virtual

environment, much in the way you cannot move seamlessly from Netflix into YouTube with the same account and user interface. In this sense, the true vision of an interconnected Metaverse – where content, conversations, and commerce are seamlessly interchangeable within one interwoven virtual environment, is upon us but has not yet fully arrived.

Most of the “closed” worlds were created in Web 2.0 and are starting to adopt characteristics of Web3 to take their platform to the next level. Although not fully Web3, they are still being labeled as a part of the Metaverse as they have certain characteristics of it. How close are we to a truly decentralized, open world? Much closer than you realize, and we have detailed examples in the ‘Metaverse Marketing Ecosystem’ section later in this document.

OPEN WORLDS

When talking about a fully decentralized or ‘open’ world, decentralization refers to user-generated content and interconnected environments, and the ability to interface between worlds. This gap between worlds is currently being bridged using blockchain – a decentralized virtual ledger that allows users to track the provenance and ownership of digital assets. Nearly every company developing components of the Metaverse is focused on a future that is characterized by decentralization as enabled by blockchain.

To understand the critical role of blockchain in the Metaverse, we’ll use an analogy. If we think of the Metaverse as a globe, think of each virtual world as an individual country separated by the ocean. The introduction of the blockchain would be as revolutionary to this world as the invention of the ship. Users can store their digital items (tokens) on their ship (blockchain wallet) and travel between worlds, giving them a third-party area to store their goods and allowing them to take their items with them wherever they go. If the world in which a user purchased an item within ceases to exist, then the user still owns the item. If the user wants to sell one of their items in a marketplace that isn’t in the original world they received it in, they have the freedom to do so. This represents true ownership in a virtual world.

UNDERSTANDING BLOCKCHAIN & CRYPTOCURRENCY

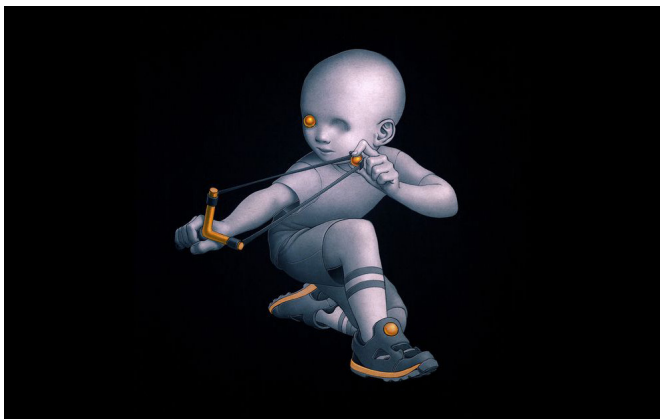
Key components of the Metaverse include blockchain and Ethereum. There are many key standards for Ethereum, and they will each serve a unique function when building out the Metaverse. These key standards include:

ERC-20: This has emerged as the technical standard used for all smart contracts on the Ethereum blockchain for token implementation. This is used for things like in-world currency; the currency is fungible and can be interchanged with others of its kind.

ERC-721: This standard is for non-fungible tokens. With the ERC-721 standard, every single item is unique – think of something like a painting and other unique digital collectibles. While the item is unique in nature, it carries with it a programmable smart contract that can carry additional benefits. The item can also be sold to another party.



Axie Infinity is a NFT-based online video game



Slingshot digital painting, James Jean first-ever NFT collectible

Fungible Tokens

A fungible item, like a digital currency token (i.e. Bitcoin), is something that is interchangeable with other items of its kind. Due to the Open World's adoption of blockchain, the user can exchange assets between worlds and have true ownership of their in-world items on the blockchain. This concept of true ownership is critical in understanding digital goods.

FUNGIBLE VS. NON-FUNGIBLE TOKENS (NFT)

By now you've seen the word token used frequently in this document. Token refers to a unit of data stored on a digital ledger, and understanding these tokens is critical to fundamentally understanding how consumers will engage with one another and with brands in the Metaverse. There are two types of tokens, Fungible and Non-Fungible.

Non-Fungible Tokens

An NFT, however, is a Non-Fungible Token that is secured on the blockchain. Non-Fungible means that the digital item is completely unique, one-of-a-kind, but digital. Because it is on the blockchain, it can also carry additional rights and benefits with it. This aspect of NFT's will have a profound impact on how brands create long-term, direct relationships with consumers that are tied to virtual and real world benefit.

Section I Enter the Metaverse

KEY TAKEAWAYS

- The Gen-Z, mobile-first demographics of Asia, and the dominance of video-based content consumption and social engagement have primed the region for the growth of the Metaverse.
- The Metaverse is made up of a series of live and persistent virtual worlds which are hardware agnostic and economically fertile.
- The Metaverse is heavily creator-driven and offers a wide range of experiences where users can socialise, transact and (eventually) seamlessly jump between virtual worlds and bring elements from one world to the next.
- Blockchain is a key enabler of decentralized open worlds and the Metaverse as it allows true ownership of digital assets and currency, regardless of the environment in which they are being purchased.

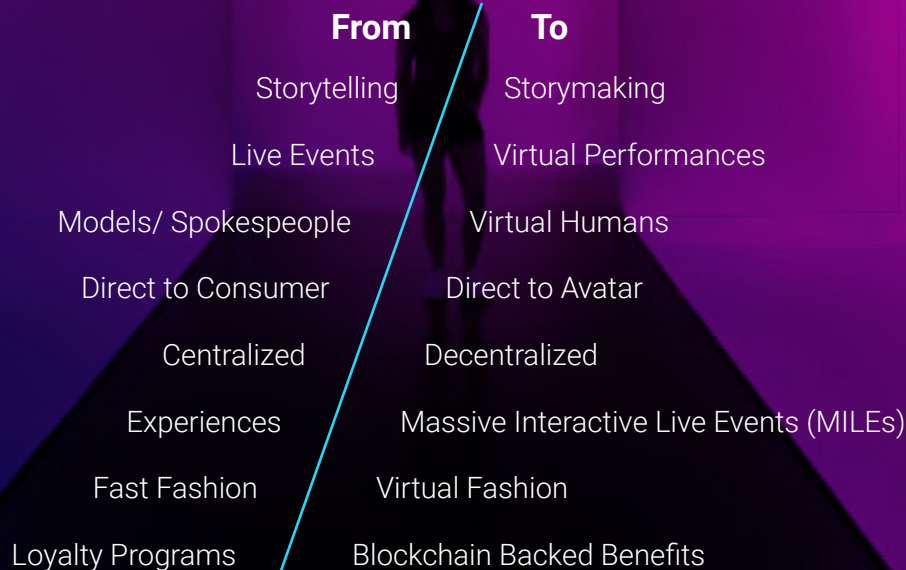


SECTION II

VIRTUAL WORLDS, REAL ENGAGEMENT

METaverse MARKETING ECOSYSTEM

Shift Happens



The Metaverse can be thought of as a new marketing ecosystem, albeit a decentralized one. This brings about key questions for brands who will need to be far more proactive in creating their own virtual future than they have with regard to digital endeavors. How will brands find their way into the Metaverse? How prepared are marketers to develop their brand's role and position within the virtual landscape? How do brands behave and communicate in a virtual world that is eternally live, persistent, and heavily focused on user-generated content?

Understanding this new ecosystem and willingness to create new experiences that are authentic to the community is crucial for brands seeking to engage consumers where they live today and tomorrow (Web3), not where you found them yesterday.

METaverse COMPONENTS & BRAND USE CASES



The future of sports, media, and entertainment is virtual. Some 2.5bn people already participate in the virtual economy. This is where the world is moving and there is no question that brands will need to find places to be in the virtual world in parallel to where they are in the physical one.

Lindsey McInerney
Global Head of Technology & Innovation
Anheuser-Busch InBev

Avatars

Avatars are virtual representations of people or personalities, and the world will eventually have a virtual population consisting of avatars, just like we have a physical human race.

Currently avatars live within closed worlds and on individual platforms and have been the focus of successful activations by Gucci, Louis Vuitton, and Christian Louboutin. Marketers should take note, what was historically a 'username' or login ID will soon be a virtual personality complete with it's own spending habits, brand preferences, and digital possessions.

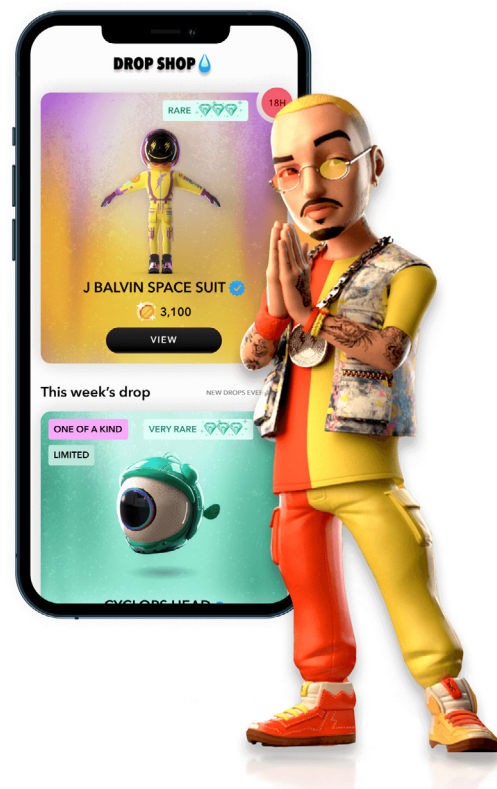
“Gen Z considers their digital avatars an extension of themselves,” says Samantha G. Wolfe, founder of PitchFWD and Adjunct Professor at NYU. “This generation loves individuality and challenges social constructs... it offers a huge opportunity for a new kind of fashionable expression and a new kind of designer that’s only possible in the Metaverse.”²

In Web3, as decentralization becomes a reality, avatars will fully represent our online selves and our virtual style. An avatar may carry different capabilities or benefits depending upon the environment it lives in, but one thing will be consistent: This virtual self will spend digital currency, buy digital goods, and have it's own brand preferences that may be different than those of its owner.

Genies, an LA based company driving a vision of avatars as our visual representation across Web 2.0 and Web3 is creating the world's first virtual society.

What makes Genies' work revolutionary is their Software Development Kit (SDK) which enables the avatar creator tool to be integrated into a number of third-party platforms, allowing a user's avatar, or virtual identity, to be portable and live across different platforms. As the company's roster of partnerships with apps and platforms grows, so will the compatibility of the avatars, creating a 'preview' of what is to come in an open world.

Genies' personal and celebrity avatars can be enhanced with digital goods and assets in the form of virtual memorabilia, apparel and accessories which are sold as NFTs.



J Balvin avatar from Genies



Interview with Allison Sturgess Head of Asia Operations, Genies

GENIES

Can you describe Genies in one sentence?

Genies is the world's largest avatar technology company, setting the foundation for swift, widespread adoption of avatars in society and culture, allowing individuals to truly express themselves.

Genies are building the world's 'virtual human race', how?

Genies believe the future is a world in which you interact seamlessly across the virtual world and will need a virtual identity to represent yourself. We provide people with their identity and the tools to build and leverage their identity. We plan to allow anyone to be able to create their own virtual identities when the app opens to the public.

You've recently partnered with Dapper Labs to develop an NFT marketplace, how will this impact how consumers style their Genies? Does this bring us closer to a world in which Genies can live across platforms?

We've partnered with Dapper Labs to launch The Warehouse - an avatar wearable NFT marketplace that provides fans and consumers the ability to collect, own, and trade their favorite avatar wearables from the most iconic tastemakers, brands and IP. Collectors will own a piece of culture and use these assets to customize their own Genie avatar. Through our API network, users will be able to access their virtual identity across more platforms and will have a portable identity to use throughout the metaverse.

How do brand partnerships work at Genies? What makes the Gucci relationship successful?

We work with a range of partners to build out the most fantastical and expressive versions of their brand through these drops, even exceeding what is feasible in the physical world. Gucci has been at the forefront of innovation in the Metaverse, and they share a similar vision as we do for avatars. As a partner, they've leaned into our technology over the years and we're looking forward to seeing what more we can do together to bring Gucci to the Genies ecosystem.

What advice would you give brands seeking to develop their role in an avatar driven environment?

Humans want to tap into their truest and most expressive selves, interests, and feelings. Brands need to connect with people in authentic ways in the virtual world where they build new stories and reinvent their image and capabilities. Think outside of what your products are capable of in the real world because they don't have to be the same when virtual.

Digital Goods, Collectibles & NFTs

One need not have an avatar to acquire digital goods and there are excellent examples of brands successfully launching initiatives unrelated to avatars including Anheuser-Busch's NFT program which offered limited-edition virtual horse NFT's which could be integrated into Zedd Run, a virtual horse race. Coca-Cola's virtual loot box drop in July 2021 featured digital apparel and collectible brand imagery, and raised over \$500,000 for charitable causes.



Coca Cola's dynamic loot box NFT

To simplify things, there are generally two forms of digital goods:

- 1** Platform or environment specific good that are purchased within that virtual world, and live within. This is very much Web 2.0., like buying a skin in a game.
- 2** Blockchain enabled goods in the form of NFT's, which may be portable throughout open worlds. All NFT's are digital goods, but not all digital goods are NFT's. For example, a digital skin purchased within a game that only lives within that game and cannot be transferred to another party and is not unique, is simply a digital item, not an NFT.

Truly unique and/or decentralized goods can be clothing for your avatar, accessories, artwork for your virtual house, vehicles, and more. Gucci and Louis Vuitton have established themselves as the most innovative and dominant fashion brands entering the virtual realm and we highlight them in a separate section. Perhaps the most significant native virtual fashion studio is RTFKT, as featured in our interview with co-founder Steven Vasilev.



Interview with Steven Vasilev CEO & Co-Founder, RTFKT



What is RTFKT?

RTFKT (pronounced 'artifact') is an eclectic, creator led virtual design studio. We are defining the future of virtual fashion/collectibles through our virtual and physical product drops. We were born during COVID, and we're native to the Metaverse.

Are you a fashion brand?

We're a decentralized culture brand that is creating a platform to incubate new design talent who are native and endemic to the creator community. RTFKT enables other designers and brands to create the most compelling virtual collectibles. Through that, we have created a community of fans and collectors who cop our drops. That's something we're specialists at, NFT drops.

Can you explain how your drops work?

It's a little bit of art and a little bit of science but we identify the right scarcity model, examine the tradability, and then do crypto modeling to ensure we are sizing the market. We then go to market with wild designs. We always keep our NFTs scarce as they generate wealth for our early adopters and collectors.

What does the RTFKT economy look like?

Since our founding, our work has created \$6mm in primary sales and over \$28mm in secondary market value, and all of that is accretive to the creator. The creator shares in secondary market sales of our NFT's. we dropped a virtual sneaker with Fewocious, an 18-year-old artist. It grossed \$3mm in 7 minutes which we split 50/50. We are paving the way for creators to monetize their work in exciting ways.

Do you work with brands, and what does that look like?

We work with brand's that are ready to be super creative. Our experience is that approvals stifle creativity. All of the success we have had has been because of raw creativity. Because of that, we have one primary rule when working with brands, RTFKT retains 100% creative control. If they allow us to do that, and the brand is one we admire, we can make something special happen.

Such as?

We collaborated with Atari to bring the legendary IP into the future. We brought six (6) community artists into the collaboration to skin the sneaker we designed. At the time of the drop the hype caused the Atari Token and Decentraland Mana to increase in price.

What's next for RTFKT?

Creating more avenues for creators, and expanding into hybrid releases, and developing utility for our existing NFTs. As the crypto and gaming communities grow, so will the desire for our products.



Stella Artois brand's virtual horse NFT's on Zed Run

Anheuser-Busch InBev is Bullish on NFT's and The Metaverse

Lindsey McInerney is the Global Head of Technology & Innovation at Anheuser-Busch InBev, where she led the launch of the Stella Artois brand's virtual horse NFT's, a marriage of the brand's real world history and it's virtual future.

"This isn't an 'if' situation – It's happening. We're already living in mixed reality," said McInerney. "I'm incredibly bullish on space. We're early in the formation of the Metaverse but it's happening fast thanks to the pandemic." She continued, "The Metaverse will be bigger than Facebook, more immersive than YouTube, and more profitable than Amazon. It's an exciting but early time to be working in this area."

The Stella Artois NFT's contain unique characteristics like coat type, that are passed on when co-mingled together. Bidders can now compete in auctions to win a virtual horse as well as Stella Artois branded skins and an art piece in the style of the brand. The virtual horses run in blockchain enabled horse races. This activation is in line with McInerney's belief that brands should do virtually what they do in real life. The financial impact, PR and cultural relevancy of this program make it a successful initiative and yet another example of an iconic, historic brand finding an authentic future in the Metaverse.

NFT as Functional Technology

NFT transactions reached more than \$2.5bn in H1 2021, an increase of more than 18,000% during the same period of 2020 - indicating the demand for unique tokenized digital assets. ([DappRadar](#))

NFT's have been popularized in mass-media as high-priced digital collectibles but the true value of non-fungible tokens to brands and consumers is far greater. These tokens offer a direct, disintermediated relationship between a brand or IP owner and consumer that can serve as a 'passport' to additional physical, digital, and virtual benefits. The implications for product releases, event ticketing, value added services, and consumer loyalty programs are limitless. Are you the owner of a unique or exclusive Gucci NFT? Congratulations, you're now authenticated for the next handbag drop. Did you attend BTS's recent concert using a blockchain enabled ticket? Congratulations, here's your commemorative photo and access to an exclusive behind-the-scenes film. We've listed examples and actual use cases of NFTs as a functional technology:

1 Authentication

Aura is a blockchain consortium used by brands like LVMH, Prada, and Cartier to provide consumers with proof of authenticity. Nike also launched [Cryptokicks](#) which allows a buyer to receive a corresponding NFT when a physical purchase is made. If the sneakers are resold, the NFT which proves its authenticity follows the new owner.

2 Ticketing

[Kings of Leon](#) earned \$2mm in NFT sales of their album. Each unique token contained exclusive album artwork and a limited edition 'Golden Eye' vinyl. Along with the promotion, six (6) 'Golden Ticket' auctions were also held for fans to win a chance at four (4) front-row seats to a Kings of Leon show, valid for life. While this is an example tied to the physical world, virtual event ticketing could easily carry the same benefits, should virtual events become ticketed rather than open entry such as the current Fortnite and Roblox use cases.

3 Awareness

Microsoft and blockchain developer Enjin developed a game in Minecraft where women could earn NFTs by playing a game that raised [awareness of women](#) in science. Earned NFTs were made compatible and transferable within the Minecraft game, creating great incentive for users to participate.



Virtual Programming

The Metaverse already features cultural performances and programming much in the way our physical world does. Currently, these performances take place in closed worlds, with past programs providing use cases for even larger, more integrated future performances and massive interactive live events (MILEs). Virtual programming (concerts, movies, fashion shows, etc.) offer the most tangible examples of how brands can engage in the Metaverse and further supports the belief that Gen Z consumers don't differentiate between real world and virtual experiences.

Re-envisioning Live Events

Brands have spent decades reaching consumers through live events - beer and soft drink companies have secured pouring rights at venues, banks and payment card companies have leveraged pre-sale ticket access, Starwood and Hilton have offered one-of-a-kind experiences with entertainers, and nearly every brand targeting Gen Z has found a way to charm consumers through experiential activation at festivals.

All of those opportunities, and more, will now be available in the Metaverse, and brands will look to include virtual rights in their future agreements with talent. Imagine a world in which Coca-Cola, an endorser of BTS, offers access to a Metaverse based BTS concert to an unlimited number of fans globally via an on-pack promotion. Based upon what Coke NFT assets you own, you may unlock certain benefits within the event. The economic and brand impact of culture, content, community and commerce coming together is not hypothetical, it's real. Here are a few use cases:

Note: Livestreaming is not considered a virtual performance, but is a digital stream of a physical performance. Some livestreams may feature virtual integration and we've highlighted a few of those, but the future of concerts and performances in the Metaverse are truly virtual.



The Weeknd x TikTok virtual concert drew more than 2mm unique viewers



KEY USE CASES OF VIRTUAL PROGRAMMING

Travis Scott in Fortnite

One of the earliest and most successful virtual concerts, saw hip-hop artist Travis Scott play to a combined audience of 12.5mm fans during his [live virtual performance](#). The performance featured Scott as himself, stylized in the Fortnite aesthetic, playing in a dedicated virtual event space within Fortnite. The event was live day-and-date and free of charge. During the performance, Scott wore limited edition Cactus Jack Nike Jordan 1's. Following the performance, merchandise was sold in physical stores, like the \$65 branded Nerf gun, or a \$75 action figure. It didn't stop there, as a virtual tour shirt was also released. Scott's success within Fortnite demonstrates the limitless potential of brand integration into virtual performances, and a key example of a 'phygital' product drop.



Lil Nas X in Roblox

In 2020, rapper Lil Nas X [played a concert](#) in the game Roblox, where he performed to over 30mm fans. The performance allowed viewers to unlock special Lil Nas X items in a digital store, such as avatars, merchandise, and emote bundles. Virtual interaction between Lil Nas X and fans also took place within the virtual environment, further cementing the role of virtual performances as a touchstone of Gen Z culture, representing how moving into the Metaverse can impact consumer affinity.



Tomorrowland Festival

When the annually anticipated EDM festival Tomorrowland had to be [moved online](#) in 2020, Unreal Engine, the 3D production company owned by Epic Games, were engaged to create a virtual festival environment. The experience was located in the virtual world of 'Pāpiliōnem', boasting eight (8) different stages across photorealistic landscapes, special effects, and the ability to interact with other attendees. Participating brands were featured in different maps in the virtual world. As simple as logging onto Tomorrowland's web page for access, the virtual festival introduced the ability to bring in a huge number of participants in a curated, IP specific environment.



Interview with Sameer Pitalwalla Business Director ASEAN and India, Epic Games



What is Unreal Engine and what are some key applications in the brand marketing and entertainment sectors?

Epic Games' Unreal Engine is the world's most open and advanced real-time 3D tool. Creators from games, film, and architecture, to automotive, training and simulation choose Unreal to deliver cutting-edge content, interactive experiences, and immersive virtual worlds.

Real-time technology is increasingly used to reinvent production pipelines. Where once computer-generated imagery (CGI) was reserved for post-production, forward-thinking creative teams are now free to leverage visual effects at all stages of the production process. [Mixed reality](#) enables any business to tell new stories and engage its audience with more emotional and informative narratives.

Can you share the credibility and consumer behavior knowledge gained by Unreal's involvement with Fortnite?

It's a social experience and the early building blocks for the Metaverse. It's too early to say exactly how it will take shape. We see it as a shared social 3D world with persistence, discovery, moderation, and commerce. Think of it as experiences like Fortnite, Rocket League, and Fall Guys powered by millions of creators using Fortnite Creative, Unreal Engine, Twinmotion, and MetaHuman Creator to bring new meaning to the way we interact.

What are the some best-in-class applications of Unreal Engine?

[Balenciaga](#)

The French label unveiled [Afterworld: The Age of Tomorrow](#), a video game built to showcase the company's Fall 2021 collection. Described by Vogue Runway as a "quantum leap for fashion", the game is more than an innovative way to market clothes. It represents an entirely new era in which sophisticated virtual worlds and immersive experiences supercharge online commerce. Afterworld represents a new way of thinking about identity in the digital world - showing that the internet can be a rich, interactive, three-dimensional virtual playground for fashion.

[Harrods](#)

As part of a full 360° campaign conceived by creative studio [DBLG](#), Harrods customers were presented with real-time-rendered CG versions of the store's latest menswear lines in ethereal, Dali-esque landscapes. The motion designers traditionally used other programs to create and output designs but were able to pick up the toolset and leverage its superfast real-time rendering workflows to deliver the project in a tight timeframe.

How should brands and marketers prepare themselves to thrive through 3D creativity?

It's exceptionally important that brands and marketers realize that when you're developing IP, it is integral to conceptualize and prepare to develop for every touchpoint and platform across the Metaverse.



BTS Map of the Soul Virtual Space

Global mega band BTS integrated augmented reality into a [hybrid virtual event/livestream](#) which was streamed concurrently to 1mm paid viewers, resulting in revenue of \$43mm. AR integrations within the traditional livestream included sync coordination between the music played during the stream and the color of fan's physical commemorative lightsticks, which they physically held from the safety of their homes.

K/DA in League of Legends

K/DA is a fully [virtual K-pop](#) group created and managed by Riot Games. Inspired by IP from the League of Legends universe, the group debuted at the 2018 League of Legends World Championship Opening Ceremony through an AR broadcast integration and has since, gone on to release albums on Spotify, collaborated virtually with Louis Vuitton and were featured within the League of Legends game. Their initial single Pop/Stars reached #1 on Billboard's World Digital Song Sales chart in November 2018. This is a prime example of an IP owner using virtual engagement to create IP that have profound cultural and commercial implications.





Interview with Viranda Tantula Co-Founder, Potion Projects

potion
projects

Tell us a bit about what you do?

I'm co-founder of Potion Projects, a creative consultancy focused at the intersection of the virtual world and contemporary culture. We're based in Los Angeles, but work globally.

Previously I worked at Riot Games and Paramount Pictures in various creative capacities, bringing IP to life in people's day-to-day lives. At Riot, I led our creative efforts in bringing to life projects such as K/DA, a virtual K-pop group inspired by the game League of Legends.

K/DA was ground-breaking in two aspects; it was among the first large-scale integration of music and games and it was among the first truly virtual bands. How did the band develop?

We long felt that the pop music space was incredibly relatable and empowering. We knew that within K-Culture, the fandom was tremendously strong and there was also a deep level of engagement within the League of Legends community.

Why was it successful?

At their core, K/DA made great, authentic music. Without that, it would not be successful. I cannot stress enough how important it was that the music, and the core creative (ie: the members of the virtual group), be authentically powerful.

You also worked extensively on Louis Vuitton's partnership with League of Legends. How does an iconic luxury brand find an authentic place in one

the world's most contemporary IP environments, League of Legends?

Strong partnerships develop when each party is able to translate the needs of the other party, and when those parties can come together to create something that neither could create on their own. Both the LV and LoL brands thrive on their legacy and a care for craft.

The starting point was around the celebration of champions, as seen with Louis Vuitton's use of their heritage to create amazing cases for the trophies of global sporting events like the World Cup and NBA. From there we built more creative executions including couture stylings for a few League of Legends characters. Finding a common language, seeing if you can create something new as partners.

What are the resources brands need to be relevant in the virtual world?

Team members who are genuinely deeply entrenched and native to metaverse/decentralized culture, blockchain, and NFT technology or communities.

What's the next big thing for brands in the virtual world?

The merging of the virtual world and real world is the largest growth area. I don't believe the innovation will happen solely in the virtual world, but at the intersection of IRL. XR - extended reality - will be a driving force in engagement. While luxury, fashion and gaming have driven a lot of the innovation in the space, there are a lot of brand categories that can do really innovative things in the space.



Massive Interactive Live Events (MILEs)

MILEs is a term you likely haven't heard yet, but will in the near future. Film and game studios create IP universes, Wattpad has given rise to fan fiction and serialized stories, and Netflix delivers fan influenced outcomes. If you combine all of these elements into a persistent, interactive media experience in which fans determine the outcome, you have a MILE.

MILEs offer the ability to engage massive audiences with no additional app installs, on any streaming platform, on any connected device. The most notable example is GENVID's Rival Peak, a [three-month interactive media experience](#) that was distributed on Facebook Watch, alongside an accompanying interactive wrap-up show called Rival Speak.

Rival Peak garnered more than 100 million minutes viewed over the course of its twelve-week season from an international audience that included viewers from 70 countries with the biggest audiences coming from the United States, India, Brazil, Mexico and the Philippines. Viewership for the season finale was 55x the season premier.

Augmented Reality

Augmented reality is one of the most consistent examples of the impact of phygital engagement and has proven to be an 'onramp' to virtual engagement among brands. It's also shown to be a clear driver of commercial benefit. Shopify revealed that products which provided consumers with 3D/AR content showed a 94% higher conversion rate than for products without 3D/AR. ([Shopify](#))



Pokemon Go relies on virtual reality to combine animation with the real world

[Poplar Studio](#), an AR production company revealed:

11x

higher likelihood for customers to buy when an augmented reality shop is available

32%

of retailers are already planning to use augmented reality ecommerce

55%

want to access augmented shopping content when pointing their phone at a product

75%

of people say they expect retailers to offer an AR showroom

Some use cases of AR include:

Physical Experiences Gamified

Pokemon Go is possibly one of the earliest examples of AR use in the mainstream. The ability to maximize physical experiences while enabling users to make advancements in gamified worlds will persist as more companies and developers become aware of the possibilities of brand integrations in shared worlds.

Virtual Makeup

While beauty enhancement filters have long been around, beauty brand L'Oreal launched a line of virtual makeup through their AR filter company Modiface. The line is compatible with Instagram, Snapchat, and Zoom, enabling consumers to use them in a way that is less about the fun of AR face filters and more a functional need to be presentable virtually while at home.

Retail Try-Ons

From Adidas, to Warby Parker and Gucci, brands have relied heavily on AR to enable consumers to try products virtually before making a purchase. AR technology unlocks a new level of accessibility and mobility for consumers, once more blurring the lines of virtual and real.



LUXURY'S DOMINANCE IN THE METAVERSE

How the world's oldest brands conquered the newest form of engagement

Virgil Abloh, renowned designer of streetwear label Off-White and artistic director of Louis Vuitton, is widely regarded as the pioneering force that transitioned Louis Vuitton from traditional luxury to what can be called 'pop-lux', a form of luxury that replaced the value drivers of celebrity endorsements and affluence with consumer demand and mass

influence. How does this approach translate to success in the Metaverse? Harvard Business Review's Helen Pappagianas has coined the term 'Digital Lipstick Effect' to reflect consumers' growing willingness to spend a small amount of money on digital luxury items during the pandemic.



Louis Vuitton

Below are a few examples of Louis Vuitton’s pioneering efforts in virtual fashion:

League of Legends

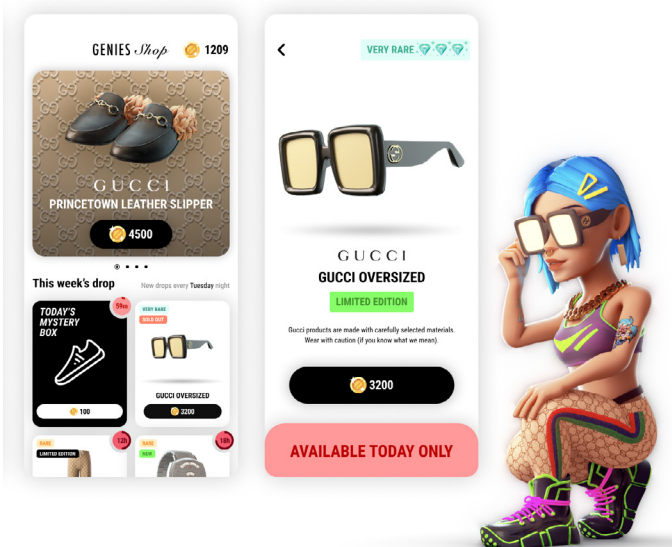
While this is largely a Web 2.0 execution, it represented the first time a luxury brand had integrated within a gaming universe. League of Legends featured Louis Vuitton themed skins while the virtual k-pop band K/DA was dressed exclusively in Louis Vuitton’s virtual clothing.

200 Anecdotes

To celebrate the 200th birthday of founder Louis Vuitton, the fashion house launched an embedded NFT mobile game which stars the brand’s monogrammed mascot Vivienne. Consumers guide Vivienne as she journeys through the brand’s history, with the opportunity to pick up one of the 30 Beppe designed NFT’s along the way. The game is one piece of an integrated marketing and content campaign involving a docuseries on Apple+ and experiential integrations in stores, further showing that the fashion house views transmedia as a primary engagement tool.

Gucci’s Avatar Aspiration

Adopting a ‘Metaverse mindset’, coined by Genies’ Founder Akash Nigam - where a brand or person’s online reputation is as important as their physical one, Gucci partnered with Genies to have access to the first wave of virtual fashion opportunities developed by the Los Angeles based avatar company. The partnership has thus far enabled users to clothe their avatar in the brand’s latest designs, presenting a new freedom to express a virtual identity that was independent of their real world one. The partnership has also resulted in synergies between Genies celebrity avatars, who in some instances happen to be Gucci endorsers in real life.



Section II Virtual Worlds, Real Engagement

KEY TAKEAWAYS

- The new Metaverse marketing ecosystem requires brands to create experiences true to the characteristics of the Metaverse – components enabling the creation of these are: avatars, digital goods and collectibles (NFTs), virtual programming and augmented reality
- The utility of NFTs go beyond art and collectibles, they offer a direct, disintermediated relationship between a brand or IP owner and consumer
- NFTs also offer functional value, building awareness, enabling authentication and in some cases event ticketing
- Virtual programming offers the most accessible and easy way in which brands can engage in the Metaverse in the near term

KEY PLAYERS IN THE METAVERSE

Studios / Developers

Tencent 腾讯



Across social, gaming and commerce, Tencent has established a dominant position for itself to both embrace and lead in the development of the Metaverse, owing to their access to users (traffic and user-generated content) and platform investments.

ByteDance



Developer of Tiktok, Douyin, Toutiao and owner of game publisher Moonton and music streaming platform Resso, ByteDance has the talent, infrastructure and access to create new Metaverse experiences. Their latest investment in Reworld, where users design and play games using the company's own simulation engine, marks a big move towards creator driven experiences in Asia.

UNREAL ENGINE



Epic Games' Unreal Engine is the world's most open and advanced real-time 3D creation platform. Their focus on innovation and an accessible digital ecosystem for creators and publishers is accelerating the creation of immersive experiences in the Metaverse.

SKY MAVIS



Developer of blockchain game Axie Infinity, Sky Mavis has been leading the way in mainstream popularization of 'play-to-earn' crypto games. Their decentralized player-owned economy has become so successful, many users now rely on the game as a main source of income. Axie's primary market is the Philippines.

Virtual Worlds



ROBLOX

A virtual world where users play games created by other users. Roblox incentivizes and enables monetization on their platform, through the sale of their experiences and items to other users. Roblox combines social interaction with gaming and commerce, and is by far believed to be the closest to what we know of the Metaverse. It is believed that half of all American teenagers logged into Roblox on a monthly basis. While this is a Western example, it supports the belief that creation will be a central component of the Metaverse.

Decentraland

A decentralized 3D virtual reality platform powered by the Ethereum blockchain. Users play, explore, and interact on the platform, buy virtual real estate, and build and control their own spaces and marketplaces within them.



Empowers users to play, create and own their virtual worlds and facilitates world building where creators and brands can live as neighbours and users can move about the world seamlessly.

Blockchain Enablement

ENJIN

Singapore based blockchain software ecosystem powering nex-gen NFT's for individuals, businesses and brands.

rally

Enables fans direct-to-creator relationships and for creators to monetize through Creator Coins, cryptocurrency that unlocks unique access to experiences, merchandise and NFTs.

Dapper

Creator of blockchain-based experiences and Dapps powering some of the biggest NFT drops from NBA Topshot, CryptoKitties and most recently, Genies.



Social Platforms



Facebook Horizon an online video game with an integrated game creation system

FACEBOOK

The world's most widely used social media platform is aiming to become a 'Metaverse Company'. The company's depth of data around social and tech investments is expected to drive the creation of socially driven experiences, though exact plans are undefined as of writing.

Snap Inc.

Home to 500 million users, most of whom are Gen Z, Snap has been at the forefront of adoption of augmented reality in both personal and branded environments. The company's aspirations for wearable tech will also enable creators to advance what we know of virtual experiences today.

TikTok

User-generated content driven platform that has transferred the power to users via content creation to anyone who owns a mobile device. Has recently acquired leading mobile game developer Moonton and signaled global gaming ambitions. Platforms like TikTok may accelerate the development of the Metaverse in micro-formats as interoperability gradually becomes the norm.



Avatars

GENIES

Creators of 3D celebrity and user avatars which can live across platforms and adorn virtual apparel and accessories.



V-Fashion



Developer of virtual custom sneakers in the form of NFT's, has recently added a phygital component offering limited edition custom sneakers along with a unique virtual version for users to try on and unlock special effects.

THE FABRICANT

A digital fashion house leading designers and ateliers into a future of digital-only fashion.

Creative NFTs



CryptoPunks

One of the first non-fungible tokens on the Ethereum blockchain and the key inspiration for the ERC-721 standard that powers most digital art and collectibles today.



CryptoKitties

Recreational NFT game created by Dapper Labs, that allows users to collect and sell breedable virtual cats.



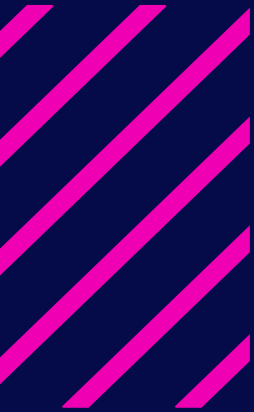
Bored Ape Yacht Club is a limited collection of virtual clothes where the token itself doubles as your membership to a virtual 'swamp club' for apes.

AR/VR Reality



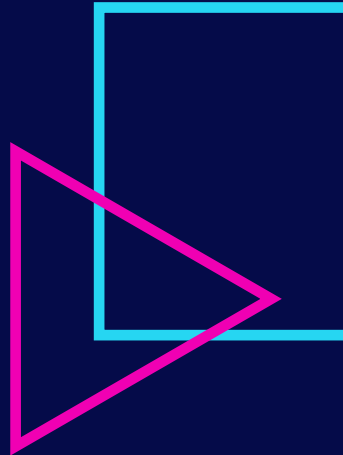
Enabling interactive virtual concerts through broadcast and gaming technology, Wave enables music labels and artists to have new forms of distribution, monetization, and innovation and bring virtual concerts to the mainstream. Wave is the company behind The Wknd's virtual performance on Tiktok.



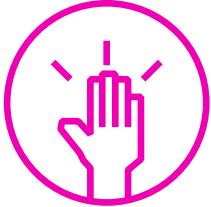


SECTION III

METAUVERSE MARKETING MINDSET

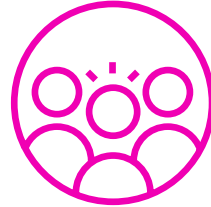


ROLE FOR BRANDS



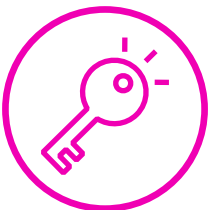
Brand as Enabler

As the Metaverse takes shape, brands that enable access to unique experiences will earn a meaningful place with the consumer as a functional enabler. Reducing barriers to entry and enabling unique virtual experiences position your brand as a forerunner that understands there is no differentiation between physical and virtual engagement among Gen Z.



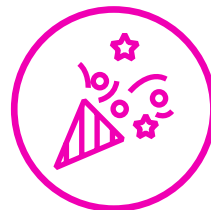
Brand as Participant

While consumers begin to understand the vast experiences available in the Metaverse and how it will become increasingly integrated into the real world, brands who participate in crafting these new experiences as 'cultural provocateurs' will have the opportunity to craft the narrative and design consumer touch points previously unknown. This means brands will no longer be passive users of the form or medium of media in which they operate, but active co-creators in the customer experience.



Brand as Authenticator

Much like gamers in prior years were unable to receive the understanding and validation of mainstream audiences, early adopters within the Metaverse place a high value in digital assets and goods, cryptocurrency, and co-creation. Brands seeking to communicate their own value through new forms of engagement and interaction, and commerce must provide highly relevant brand experiences to authenticate consumer lifestyles and passions.



Brand as Celebrant

As co-created virtual spaces and user generated content builds the Metaverse, there is a great opportunity for brands to celebrate the adoption of new forms of interaction and creation through gamified rewards, digital goods, virtual celebrations, and more. Celebrating iconic and marquee events in the virtual world and heralding virtual achievements of consumers, will drive the Metaverse forward for all parties.

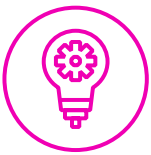
Brand Success Factors

In order to succeed in a new marketing ecosystem characterized as virtual, persistent and decentralized, marketers will need to adopt new tactics to embrace what is next.



Conviction

A consistent trait among brands succeeding in Web3 is a firm conviction among internal stakeholders that the Metaverse and virtual environments are the battleground for consumer attention and commerce, rather than a place for experimentation and trial. Such conviction has enabled these brands to build highly relevant and long term positions, rather than short term executions which offer less brand equity and no protection over key rights or properties.



Embrace Technologists

Technologists are the new creative leaders. Brands who collaborate with technologists to shape the future through immersive technology, and treat them as partners not vendors, will ultimately be best positioned. The role of a Chief Metaverse Officer or Virtual Marketing Officer (VMO) is likely to straddle marketing, innovation and development functions and should sit adjacent to a traditional corporate infrastructure.



Early Stage Venture and Incubation

Success in the Metaverse is as likely to develop from a venture or innovation arm as it is from a brand's marketing function. Operating with a visionary mindset, with a focus on return on strategic objectives, is a core principle of these groups. Anheuser-Busch's success within the NFT space emerged from an executive who previously led early stage ventures and now leads global tech innovation. If your brand doesn't have a venture arm, partnering with one or multiple interactive technology venture funds to identify best in class technology may be a solution.



Partnerships

At the core of some of the most successful Web3 executions is a deep relationship between brand and platform, or brand and IP owner. Marketers should approach working with platforms or creators as a shared mission - the platform or Metaverse property offers technology and consumer base, and the brand offers mainstream reach and marketing scale that may be desired by the platform. Gucci's early exclusive partnership with Genies was a major win with an emerging technology that positioned the brand for future success.



Digital Marketing vs. Virtual Experiences

The most experienced digital marketers, raised on a diet of funnel management and media optimization, may find themselves ill-prepared to thrive in developing a virtual approach that relies on decentralization and creativity. Brands would be well-served to engage specialist marketers with existing credentials to support entry into this space, embrace technologists, and understand the virtual rights landscape, and/or appoint a VMO as a dedicated function.



Section III Metaverse Marketing Mindset SUMMARY

Understanding virtual worlds, digital goods, and the broader Metaverse is undoubtedly a mandatory for any marketer seeking to engage Gen Z, and it presents equally as many opportunities as it does challenges. Early movers have shown that their preparedness, innovation, and creativity have introduced new ways of thinking about the consumer, positioning their brands as creators of a new narrative.

In writing this paper, we found our single most common question from marketers is aligned to our most significant finding. The question raised frequently is 'how far are we from the Metaverse being a reality', and our consistent finding is that the Metaverse has in fact already arrived - it exists in our daily lives without title in the form of blockchain games, NFT's, shared social spaces, and mass player gamified virtual spaces.

If the Metaverse is a decentralized version of the Internet, it only makes sense that the opportunities available to brands are equally decentralized, and identifying them and creating an authentic space for your brand will require a far more proactive approach than traditional digital engagement. In successfully doing so, brand marketers will turn cultural 'moments' into a Metaverse movement.

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About the Authors



Michael Patent

Michael Patent is the Founder & President of Culture Group, a Singapore based pop culture marketing agency that ideates and activates transformative pop culture programs for brands, media companies and tech platforms across Asia-Pacific. Since 2016, the agency has worked at the intersection of what's new & next for the region's most progressive marketers including Riot Games, Singtel, Globe Telecom, AIS, Wattpad, Kumu, Ampverse, Vespa, Unilever, AEG, Mastercard and Rally.io.



Doug Scott

Doug Scott has been recognized by AdWeek as one of the top 50 most influential executives in the media and entertainment industry and is the Founding Partner of Culture Group. He is also the Co-Founder and Chief Managing Director of Subnation Media, a gaming and esports holding company based in Los Angeles as well as a General Partner in Surround Ventures, an Israeli-based venture fund.



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Marie Lee is a Singapore based strategist at Culture Group, where she leads the agency's efforts to understand and engage Gen Z consumers in Southeast Asia. She oversees thought leadership, insights, and strategy while also serving as the managing editor of Culture Wire, the company's weekly trends and insights newsletter.



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Aliya Gilmore is a researcher and strategist at Culture Group, where she specializes in trend forecasting, fandom research, and demystifying Internet culture.

About Culture Group

Culture Group is Southeast Asia's leading popular culture marketing agency. The company's distributed team of thinkers, makers and marketers collaborate with clients to turn pop culture moments into brand movements, resulting in business outcomes. Sitting at the intersection of culture, technology and entertainment, Culture Group has an unparalleled history of ideating and activating for the region's most progressive brands and emerging ventures including Riot Games, Singtel, Globe Telecom, AIS, Wattpad, Kumu, Ampverse, Vespa, Unilever, AEG, Mastercard and Rally.io

About MMA

Composed of over 800 member companies globally and 15 regional offices, the MMA is the only marketing trade association that brings together the full ecosystem of marketers, MarTech and media companies working collaboratively to architect the future of marketing, while relentlessly delivering growth today. Led by CMOs, the MMA helps marketers lead the imperative for marketing change – in ways that enable future breakthroughs while optimizing current activities. The MMA is committed to science and questioning and believes that creating marketing impact is steeped in constructively challenging the status quo encouraging business leaders to aggressively adopt proven, peer-driven and scientific best practices, without compromise. The MMA invests millions of dollars in rigorous research to enable marketers with unassailable truth and actionable tools. By enlightening, empowering and enabling marketers, the MMA shapes future success, while also propelling business growth.



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