



MORE is better than less.

Dear Friends:

Forward-thinking companies are jumping into the Metaverse, which is a kind of reimagined version of the internet, incorporating virtual reality to provide shared immersive experiences. In this fast-evolving new world, cryptocurrency often is being used to purchase digital or real goods. Establishing your brand in unique virtual spaces today will ensure you become a prominent trendsetter in the future. Our newsletter takes an in-depth look at the Metaverse and the new opportunities it brings.

It was great to finally connect with colleagues in person at the MFM/BCCA Conference, "Media Finance Focus 2022," in May. Next up for Szabo Associates is our annual quality awards banquet, scheduled for August 30.

Best wishes for a healthy and happy summer!

A handwritten signature in cursive script, appearing to read "Robin".

Robin Szabo, President
Szabo Associates, Inc.

New Opportunities on a New Platform: Welcome to the Metaverse

The technology sector is always inventing that next great thing. A revolution started in the early 1980s when IBM and Apple introduced the first personal computers. Then came the World Wide Web, innovative gaming platforms, smartphones, faster Wi-Fi and broadband, and connected homes. There's always something newer, faster, and better on the horizon, and in 2022, that is the Metaverse.

But what exactly is the Metaverse? There's no one clear definition of this up-and-coming, next generation of the internet, but this next wave of digital change is here, and forward-looking companies need to act today to be ready for the future.

"To hear tech CEOs like Mark Zuckerberg or Satya Nadella talk about it, the Metaverse is the future of the internet. Or it's a video game. Or maybe it's a deeply uncomfortable, worse version of Zoom? It's hard to say," according to the *Wired* article "What Is the Metaverse, Exactly?" by Eric Ravenscraft, April 25, 2022.

Every group defines the Metaverse a little differently. It refers to a variety of shared space and assets that people can access via the internet, often (but not exclusively) using virtual reality and augmented reality devices, to interact with each other, share experiences, and buy virtual goods.

If you've ever played video games like Roblox or Fortnite, then you've created your own virtual environment and explored a world populated by avatars. If you've dipped your toes into non-fungible tokens (NFTs) and cryptocurrencies, you've already had a sampling of a

small part of the Metaverse.

In the Metaverse, the virtual and physical collide, creating a network of 3D worlds. This lets brands connect with consumers on a previously impossible, and entirely new, level.

Surprisingly to some, the Metaverse is not a new concept. The term itself was first coined by Neal Stephenson in his 1992 science fiction novel *Snow Crash*. In the book, by wearing goggles and earphones, characters access the Metaverse, an online world far removed from their own, to escape their world. There is no one single Metaverse, rather many existing Metaverses that operate and exist separately from each other.

The Metaverse can have one or more of the following characteristics:

Virtual reality. This is achieved with the help of a VR headset for highly immersive experiences.

Artificial or Augmented Reality. This can enhance shopping by enabling virtual trying on of clothes or other gear. Imagine seeing that new sofa in a virtual living room before buying.

Virtual Possessions. Consumers are increasingly recreating semblances of their real lives in digital. Given the replication of our real world habits, a rise in virtual possessions, like digital houses or clothing, is predicted. Consumers are even buying clothes and accessories for their avatars.

Non Fungible Tokens. A non-fungible token (NFT) is a non-interchangeable and uniquely identifiable unit of data stored on a blockchain, a form of digital

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ledger that can be sold and traded. NFT units may be associated with digital files such as photos, videos, and audio.

Cryptocurrency. Cryptocurrency can be used for buying, trading and selling virtual goods – and some non-virtual goods as well.

Blockchain. This technology is used as the underlying database for recording all transactions and ownership data. Blockchain technology, the foundation of cryptocurrencies and NFTs, is currently being used in industries such as finance, security, and healthcare. It provides a decentralized approach to assets, rendering its history unalterable and transparent.

Connectivity. Metaverses are interoperable with other Metaverses and provide connectivity with systems outside a Metaverse, such as payment systems or social media platforms.

“Businesses will find themselves on the front lines of establishing safety and defining the human experience in these worlds. Trust will be paramount; existing concerns around privacy, bias, fairness and human impact are sharpening as the line between people’s physical and digital lives blurs. Leading enterprises will shoulder the charge for building a responsible Metaverse, and are setting the standards now,” according to the Aventure report “Meet Me in The Metaverse: Tech Trends 2022.”

Forward-thinking companies are stepping up their investments in the Metaverse. In May, NBCUniversal unveiled a slate of advertising innovations for 2022-23, heavy on immersive experiences and sequential storytelling, which tells a brand’s story, deepens the consumers’ engagement and eventually drives purchases in a final, e-commerce-enabled spot. On the agency front, Cheil Worldwide, parent company of ad agencies including ad shop Cheil, McKinney, Barbarian Group and others, made a \$13 million investment with EVR Studio, aimed at developing Metaverse-based services for clients.

Working Together In the Metaverse.

The Metaverse is not just for entertainment and selling merchandise; it also has the potential to change the way co-workers collaborate and new employees are hired and onboarded.

Shared Metaverse experiences could also represent the future of the kind of casual-but-essential networking, brainstorming and creative play that binds teams together, according to the *Wall Street Journal* article “The Future of Socializing at Work” by Christopher Mimis, April 9, 2022. Think of virtually golfing through the Masters course at Augusta National while talking, laughing and sharing ideas with your team, for example.

“While much has been made of using VR to do work, a better or at least more accessible application might be casual connection with our colleagues and friends. Remote teams in danger of being splintered by miscommunication and isolation could be bound together without the need for in-person retreats. It could even allow employees to connect in ways that aren’t possible even when everyone is going to an office,” the article stated.

Virtual meetings will enable participants to collaborate on design projects using 3-D tools and a shared whiteboard. Imagine the implications for fashion designers, furniture designers and, in fact, creators of almost any kind of product.

The Metaverse also brings about better opportunities for remote training and hiring. This brings up the need for a professional appearance and dress code, not for the job candidate but for his or her avatar! How you represent yourself in the virtual world will be just as important as how you represent yourself in the real world.

A New Way of Reaching Customers.

The Metaverse has the potential to transform how businesses interact with customers, how work is done, what products and services companies offer, how they make and distribute them, and how they operate their organizations.

Early adopters can be found in the video game world. As the Metaverse develops, we can expect an increase in in-game advertising,

with brands creating branded presences in games like Fortnite and Roblox. Many brands are teaming up with game developers to create environments where their products are featured in games.

Here is an example of a brick-and-mortar restaurant’s successful Metaverse campaign. Restaurant chain Chipotle has now launched a game and new virtual restaurant in Roblox that mimics the company’s original location in Denver. Players who successfully roll a virtual burrito in the game earn “Burrito Bucks,” redeemable for real food at Chipotle restaurants in the real world. The fast-food chain’s moves come as a range of marketers are testing strategies to attract and retain customers in virtual worlds, according to the *Wall Street Journal* article “Restaurants’ Virtual Stores Test Consumers’ Appetite for Metaverse Marketing,” April 5, 2022, by Ann-Marie Alcantara.

Also trending are Digital Twin Stores, which are essentially digital replicas of brands found in the physical world. Brands are shuffling to create digital-twin stores and deliver a more engaging shopping experience through augmented shopping.

Many early adapters also envision creation of a new digital economy, where users can create, buy, and sell goods. In the more idealistic visions of the Metaverse, it’s interoperable, allowing users to take virtual items like clothes or cars from one platform to another. However, that interconnection is harder than it sounds, according to the *Wired* article “NFTs Don’t Work the Way You Might Think They Do” by Eric Ravenscraft, March 12, 2022. Bringing items from one video game or virtual world to another is an enormously complex task that no one company can solve.

The Facebook Connection.

Facebook’s parent company officially became known as Meta on Oct. 28, 2021. At Connect 2021, CEO Mark Zuckerberg laid out his vision of the Metaverse as the successor to the mobile internet — “a set of interconnected digital spaces that lets you do things you can’t do in the physical world. Importantly, it’ll be characterized by social presence, the feeling that you’re

right there with another person, no matter where in the world you happen to be.” No single company owns the Metaverse, just as no one company owns today’s internet.

Meta is investing \$10 billion into Metaverse technology, and Apple, Google, and Microsoft are also investing in their versions of the technology. Innovative smaller high-tech companies are raising funds to develop their own Metaverse projects, while crypto-companies are collaborating with advertising agencies to build awareness for themselves, now that Facebook and other platforms have relaxed limits on crypto-advertising.

How Big Is The Market?

A Market Research Future report projects what they call the extended reality (XR) market size to reach \$303 billion by 2025. XR is an umbrella term that encapsulates immersive technology, including virtual, augmented, and mixed reality. Devices under XR include cameras, microphones, and sensors, all of which are used to create a simulated environment while allowing users to still interact with reality.

Factors propelling market growth include strong investment in AR and VR technology, an increase in demand for enhancing customer experience, technological

advancements in display, motion tracking, and the advent of 5G technology. On the other hand, factors impeding growth include a dearth of highly intense connected infrastructure and interoperability problems with immersive 3D graphics.

In its *2022 Media Trends and Predictions* report, Kantar sees the Metaverse gaining traction in some markets, particular for performance channels (such as virtual concerts). “The concept of bringing experiences to consumers through virtual reality isn’t new, but the promise of what these converged worlds – where physical and digital realities meet – can deliver for advertisers is. 2021 only marks the beginning of what could be a significant media growth trend, with Facebook already betting big by rebranding its corporate name to Meta to better serve its future as a virtual reality and augmented reality platform,” according to Kantar.

Kantar is also seeing growing advertising investment for games in the Metaverse, particularly in the Brazilian market where leading advertisers have been placing their brands in environments such as Avakin Life, Grand Theft Auto and Twitch, while Fanta has created immersive experiences on Fortnite.

It’s important to consider your strategy while the Metaverse is still

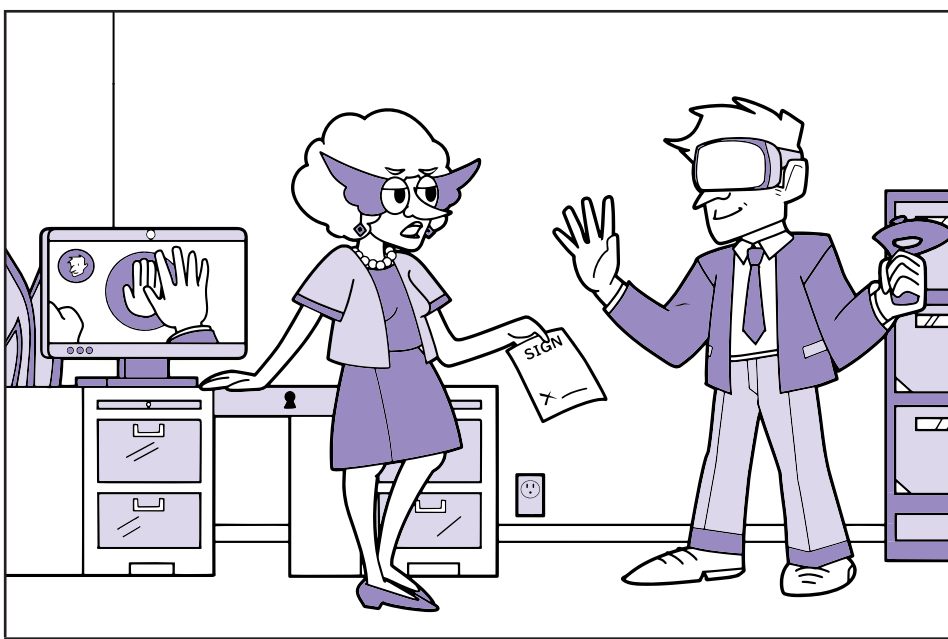
developing, according to *The Future Of Brand Experiences In The Metaverse* by Jeff Snyder, March 30, 2022. Establishing your brand in unique virtual spaces today will ensure you become a prominent trendsetter in the near future. And brands on the breaking edge of virtual experiences can reap extra benefits.

Suggestions include:

Deploy one unique Metaverse experience. Cement your brand’s future credibility by becoming an early adopter. Try creating a non-fungible token like Charmin’s cryptocurrency digital art (which sold at auction to raise funds for Direct Relief, according to a Procter & Gamble press release), or design and hold a Metaverse convention like Hyundai did. Use your imagination and lean into digital trends popularized by millennials and Gen Z-ers.

Figure out where the Metaverse falls into your marketing plans now. A 2022 Tint report reveals that 49% of marketers believe it will impact their strategies.

Be mindful about your presence and reputation. It might be a virtual world, but consumers have very real interactions that can impact brand perception. Treat it like any other place where you engage with consumers.



Even though your Avatar closed that deal in the Metaverse, you’ve still got to get the order signed in this universe! And no, we don’t accept cryptocurrency for payment..... yet.

Cautionary Words.

Not everyone is a proponent of the Metaverse as the next big thing. Yes, the Metaverse is promising but like any other world – real or digital – it comes with its own set of challenges. The Metaverse is a space that brings people together. And while it gives them the opportunity to connect and build relationships, it can also make them vulnerable if no legislation or virtual jurisdiction is established.

“As the Metaverse continues to develop, we’re seeing a glimpse of a richer, more borderless world that’s full of promise. However, while this new world continues to expand, we have to be aware of the set of challenges it brings with every new development. To make this new world a safer one, we must take into account how we can address these challenges so we can continue to make strides toward progress,” said the

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Influence Marketer Hub report.

Intellectual property ownership concerns. For a work to be considered copyrightable, it must originate from a human being. Content creators on the Metaverse may also find it difficult to protect their intellectual property, given the difficulty of tracking instances of copyright infringement in the virtual realm.

Identity Verification. In the Metaverse there are questions like “Are you your avatar?” or “How can you prove you are who you are?” Aside from having a potential problem with ethics, identity authentication and verification bring their own set of challenges.

Data and Privacy Concerns. Some fear that the Metaverse is just another clever ploy by tech giants to get more data. There’s

also the issue of how having control of data can help certain companies control markets. Furthermore, will the current security systems be able to keep up with data and security issues in the Metaverse? The Metaverse is a unique environment that requires new security methods to protect its users’ data and privacy.

The internet is being reimagined and the advertising world needs to get ready for what comes next. There are detractors and it’s not the place for everyone.

For nearly two decades, businesses have built out a plethora of digital capabilities. But all of these solutions were created for today’s internet. Building new platforms, products and services; securing partnerships and technology; and forming new business models will take a lot of work.

Tremendous Opportunities.

Behind the uncertainty, there is tremendous opportunity, according

to the Accenture Technology Vision 2022 Report, “Meet Me in the Metaverse.” The last time the internet went through a shift of this magnitude, Amazon, Netflix and Google went from narrow businesses to internet titans. The table is set for the next dominant players in every industry.

Today’s Metaverse and Web3 are changing the future of the internet by removing friction and increasing interoperability between digital platforms. In the process, new lines of business, new ways of collaboration and new opportunities for businesses and customers to interact are being created.

The bottom line is that advertisers looking to reach that younger demographic need to go where their customers go – and that’s the Metaverse! ♦