



# Winning in the metaverse

## Five lessons learned from gaming



The metaverse is here. But how many people are familiar with it? According to [recent KPMG survey](#) of 1,000+ consumers, two-out-of-three respondents say they are already aware of the metaverse—that awareness increases for younger generations with 86 percent of Gen Z and 81 percent of millennials reporting familiarity.

In fact, many people have already interacted with the metaverse by playing games like Fortnite and Roblox. These games operate virtual 3D worlds where millions of people worldwide gather to play, socialize, buy virtual items, attend special events and participate in a digital economy—all within the game. Although these two games are not decentralized, they offer a clear path toward Web3 metaverses.

The evolution of Web3 capabilities and the convergence of virtual reality, augmented reality and other technologies has ignited a sense of urgency around the metaverse. While its full functionality will take some time to develop, metaverse excitement aligns with significant changes in consumer behaviors and widespread digital acceptance occurring over the last two years. This shift, largely driven by pandemic lockdowns, thrust the bulk of people's lives online, forcing new virtual experiences for work, socialization, shopping, healthcare, entertainment and more.

For many gamers, this shift was less dramatic. They've been interacting on virtual gaming platforms, using VR/AR technologies, sharing experiences, participating in communities, and starring in gaming narratives online for quite some time. So, while many may see the metaverse as a new phenomenon, gamers likely view it as the next logical step bringing the virtual future to life.



As more brands venture into the metaverse, they can learn a lot from the ever-evolving gaming industry. Some lessons learned include:

<sup>1</sup> Roblox Corp press Release, "Roblox reports fourth quarter and full year financial results," 2/15/22.

## 1. Seek continuous innovation

Earlier video game models involved a one-time purchase to play console games offering limited gameplay with friends on the same console. Online connectivity soon followed, enabling the ability to download game content and play online with others. Further evolution introduced the free gaming model unleashing big revenues from monetizing microtransactions within the game. Innovating from one big purchase to many microtransactions increased a game's longevity by offering the continuous delivery of new digital items to purchase. For businesses, the microtransaction model provides access and acceptance for other industries wanting to monetize assets in a similar way. To do so, businesses should be agile in their approach, with an ongoing emphasis on innovating business models, exploring new use cases, and improving user experiences.

## 2. Pursue new revenue streams

From digital fashion for avatars, to buying digital items, to in-game concerts or other events, gaming is leading the march into a whole new digital economy. As the metaverse evolves into a shared universe across platforms and consoles, possibilities for cross-gaming intellectual property (IP) (such as uniting characters from different games) offer significant revenue potential in the future. As functional digital assets, non-fungible tokens (NFTs) offer new revenue streams in the metaverse. Players can create, buy, sell, and trade NFTs opening new doors of opportunity as gaming monetization models mature and usecases advance.

Taking cues from gaming, companies are creating NFTs, which can offer a win-win scenario. Consumers benefit from collecting NFTs and selling them when their value appreciates, while companies profit from the initial sale and royalties on secondary sales. Higher demand and trading activity incentivize both to contribute to its success through support, community building and involvement, and participation in games and other metaverse activities. In addition to NFTs, companies can gain from collaborating with gaming platforms to build a brand presence, offer new products and services and create special branded experiences.

## 3. Master the art of storytelling

In gaming, user experience reigns supreme. Players can become engrossed in a good gaming storyline as they become a part of the story. As the narrative unfolds, players seek to achieve desired outcomes to win the game. Done well, a compelling story and an immersive experience can lure a gamer to come back and relive the experience again and again. Similarly, businesses in the metaverse need to focus on superior storytelling, understanding their brand purpose for being there and giving a consumer a reason to partake in the narrative. Like gaming, brands want to create a virtual experience that attracts consumers to participate, enables free expression, and provides a compelling reason for being there—and wanting to return. Most importantly, storytelling must be authentic to the brand and provide a seamless experience between physical and virtual worlds.



## 4. Understand the importance of communities

Gaming communities often optimize player experiences by creating spaces to socialize and share values and enable meaningful interactions. Essentially, the business model for games like Roblox and Fortnite rely on successful communities. It's critical for companies to build virtual spaces that are community-centric and keep the consumer in mind every step of the way. With few exceptions, truly vibrant communities on decentralized platforms grow organically and are not owned or controlled by a brand. As such, a company's strategy should focus on deepening connections between the brand and consumers within a fluid and open virtual community space. Doing so will create meaningful experiences, where friendships develop, loyalty grows, and time and money is spent.

## 5. Seek talent with a gaming mindset

A wealth of video game experience is entering the workforce as younger generations grow up. This is the type of talent that may not be found in school programs or promoted on resumes but may be already on the payroll. Determine if there are people already within your organization that can help navigate the metaverse and identify opportunities to upskill employees. Look for tech savvy workers that have experience in creating digital assets and user generated content. In addition to their technical knowledge, they will likely bring an authentic passion derived from a love of gaming that will help drive business success in the metaverse.



While these lessons from gaming can help companies advance their metaverse strategy, it's important to note that challenges still exist around governance and data and privacy issues. The future governance of a decentralized metaverse centers on decentralized autonomous organizations (DAO), where users act as shareholders with voting rights depending on ownership levels. Companies will need to determine rules and assess risk considerations when their brands enter these virtual spaces. There's a real need for companies to truly understand the difference between centralized and decentralized models not only from an infrastructure perspective, but also from a governance perspective.

## Brands join games in the metaverse

Many businesses are moving quickly to establish a brand presence in the metaverse via gaming platforms. For example, Nike created Nikeland, a virtual space built on the Roblox metaverse platform where users use 3D avatars to play mini games, try on Nike gear in the showroom, and experience a new blend of sports, games, and fashion. Considering that Roblox users spent about 4.2 billion hours on the game in 2021 and nearly 55 million daily users logged into the gaming platform in January 2022<sup>1</sup>, Nike's presence on the platform enables it to greatly expand its reach to new and existing customers.

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