



# Go boldly, not blindly, into the metaverse

**Enabling a new consumer world**

**Consumer pulse survey report |  
Spring 2022**



# Consumers enter the metaverse

The metaverse is here. An evolving virtual universe, it brings people together to share interactive, immersive, and social experiences by way of digital avatars and identities. The metaverse blends a consumers' physical and virtual worlds together through socializing, gaming, shopping, fitness, education, working, training, and entertainment or just hanging out with friends. Simply put, the metaverse is about bringing people together in new and previously unimaginable ways. For example, consider an immersive experience where you go to the mall or the movies together with your friends from another state or country—without ever leaving your house.

Consumers are ready to spend very real money in these virtual worlds, and as a result, brands are flooding into the metaverse—making bold and innovative moves to cater to the many desires of virtual life. The metaverse, and the technologies underpinning it, such as virtual reality (VR), augmented reality (AR), extended reality (XR), and non-fungible tokens (NFTs) are already transforming how consumers shop and interact with brands.



While the metaverse holds enormous potential, the excitement and enthusiasm surrounding it exceeds its current functionality. Still, many brands are already capitalizing on metaverse opportunities to grow their customer base, build brand loyalty and relevance, and create new revenue streams. In many ways, the future looks bright for Consumer and Retail (C&R) companies ready to explore a vast new space of opportunity and innovation, but it can also feel overwhelming. Is your company ready?

## Powered by Web3

While the metaverse is quickly becoming the next big thing, its evolution relies on Web3, which is also still evolving. How does the next iteration of the internet differ from its predecessors?

**Web3** – decentralized internet built on blockchain technologies, user ownership of data, immersive experiences

**Web 2.0** – user generated content, personalization

**Web 1.0** – first version of the internet, static web pages



# The future is metaverse

Business opportunities in the metaverse are growing rapidly. According to Bloomberg analysis, the metaverse market may reach \$783.3 billion in 2024 compared to \$478.7 billion in 2020, which represents a compound annual growth rate of 13.1 percent.<sup>1</sup>

While the concept of the metaverse has been around for a while, technology capabilities and consumer acceptance is now catching up. But how many consumers actually know what it is today?

According to the results of [KPMG Consumer Pulse 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.<sup>2</sup> Beyond awareness, nearly half (46 percent) of consumers in our survey believe that “the metaverse can provide a forum to interact with friends in a way that is as meaningful as in person.”<sup>3</sup> Meaning more likely than not, a big part of your customer base is already embracing the metaverse and is comfortable interacting virtually.

## Meeting consumers where they are

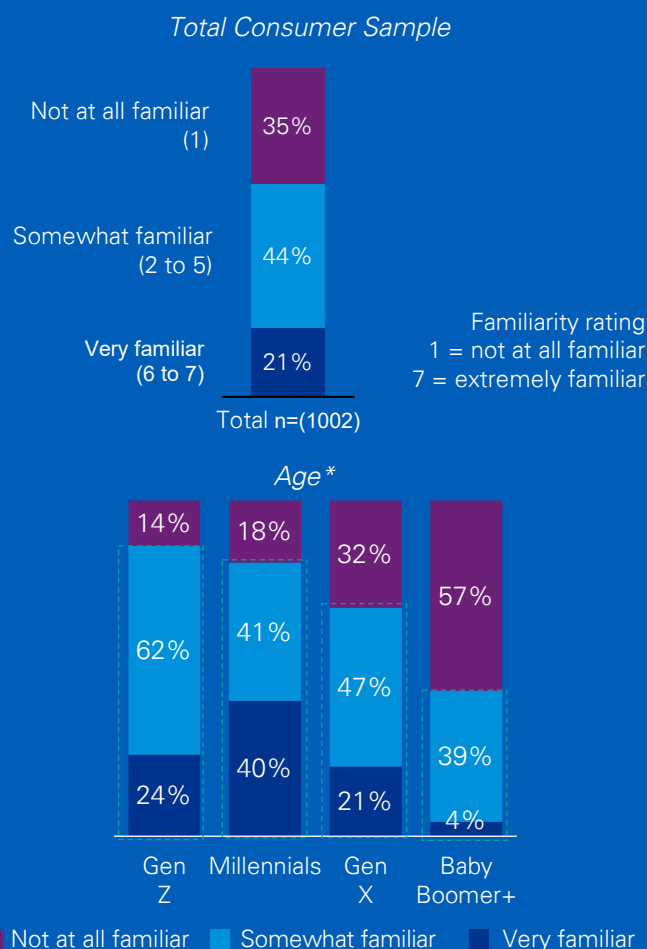
As consumers spend more time in virtual worlds, there are exciting opportunities for organizations to expand their reach.

For example, Nike ventured into the metaverse in November 2021 launching Nikeland, a virtual space built on the Roblox metaverse platform.<sup>4</sup> Users can play mini games with friends as 3D avatars, 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>5</sup> Nike’s presence on the platform enables it to greatly expand its reach to new and existing customers.

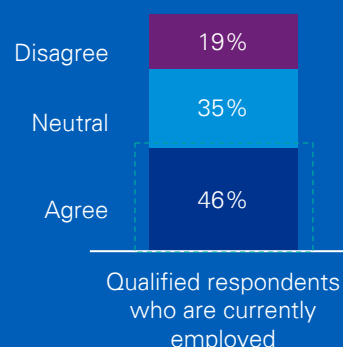
<sup>1</sup> Bloomberg Intelligence, “Metaverse may be \$800 billion market, next tech platform,” December 1, 2021.  
<sup>2</sup> KPMG Consumer Pulse Survey, Spring 2022, slide 16. Survey fielded February 3 to 10, 2022. (All additional slides referenced in this report are from this sources unless otherwise noted.) Detailed results are available at <https://advisory.kpmg.us/articles/2022/consumer-pulse-survey-spring-2022.html>.

<sup>3</sup> Slide 22  
<sup>4</sup> NikeNews.com, Press Release, “Nike creates Nikeland on Roblox,” November 18, 2021.  
<sup>5</sup> Roblox Corporation, Press Release, “Roblox reports fourth quarter and full year financial results,” February 15, 2022.

## Metaverse familiarity with consumers



## Metaverse can provide a forum to interact with friends in a way that is as meaningful as in person



Does every retailer and consumer goods company need a metaverse strategy? The short answer is yes; but, there is no one-size-fits-all strategy for a company's journey into the metaverse. It's a dynamic, exploratory environment, ripe with innovation—creating opportunities for new markets, products, services, and revenue streams. The real question is how deep and wide should your company enter the metaverse? Regardless of the answer, one thing is clear, it should be an integrated part of your brand positioning and strategy going forward.

We believe by exploring some key questions, companies can begin to determine the right approach, objective, and strategy to optimize new opportunities. We recommend taking a consumer-first approach, understanding how preferences, wants, and needs are evolving in this new channel. Then comes the focus on technology, considering both the technical and creative sides of the metaverse to plan the best path forward for your brand and business — keeping the consumer in mind every step of the way. The goal is to jump into the metaverse boldly, not blindly, to obtain the greatest benefits.

### One key to the metaverse—VR device ownership

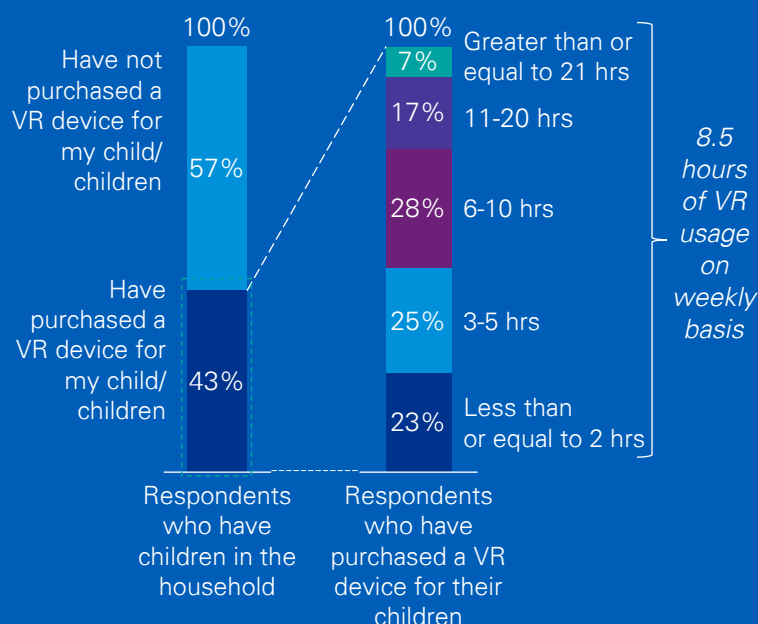
Our survey results indicate that 43 percent of consumers purchased a VR device for their children, who, according to parents surveyed, spend an average of 8.5 hours per week on their device, mostly playing games and watching movies.<sup>6</sup>

Lack of VR device ownership represents a potential barrier for metaverse adoption. According to our survey results, approximately 70 percent of consumers do not currently own a VR device and of those, only 13 percent plan to purchase a VR device over the next 24 months.<sup>7</sup> However, the continued ability to work from home may accelerate the adoption of VR technology in the professional environment as relevant technologies are developed (e.g., virtual offices and meeting rooms). This may encourage an increase of VR ownership at home. It also may become a corporate movement to purchase devices as an investment for training purposes, innovation sessions, or interactive meetings.

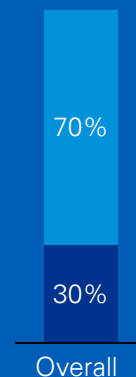
<sup>6</sup> Slide 21

<sup>7</sup> Slide 17, 19

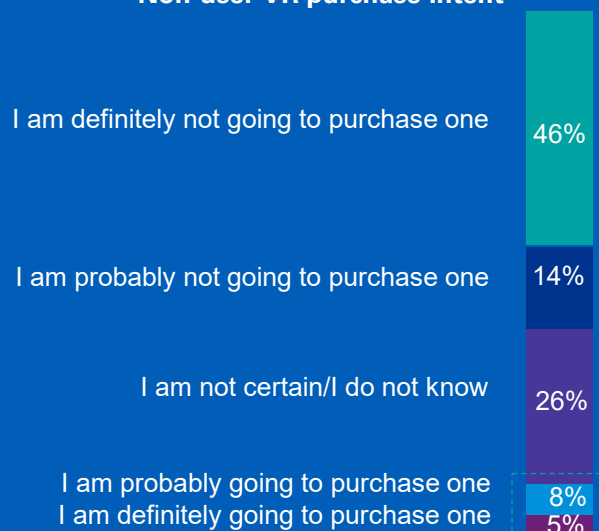
### VR device purchase average for children, compared to hours on VR device



### Virtual reality ownership



### Non-user VR purchase intent\*



\*Numbers do not sum to 100% due to rounding.

# A convergence of technologies

In the metaverse, consumer engagement is enabled by converging technologies. These technologies fall under the Web3 umbrella, including blockchain, smart contracts, NFTs, game engines, crypto, XR, and more. In combination, they have the potential to provide an unprecedented level of personalization, interactivity, and immersion.

Leveraging VR, AR, and NFTs, brands can find entry points in the metaverse to establish a brand presence. For example, AR technology can superimpose and display digital information such as characters and images created by a computer in the real world. Companies like IKEA<sup>8</sup> and Amazon<sup>9</sup> have invested in AR to help users check out how products would look in their homes and workspaces.

In another example, CLIF Bar and Co. launched a CLIF Kid AR experience that let kids wear pro skateboarder and Olympian Sky Brown's helmet in photos and videos as a way to inspire confidence in kids returning back to school.<sup>10</sup>

Meanwhile, developments in VR technology allow consumers to visit virtual showrooms, fashion shows, and dressing rooms. Using their digital twin, consumers can try on clothes before buying them and shop virtually. For example, Ferragamo's virtual store "House of Gifts"<sup>11</sup> brings users to an opulent villa, while Fendi lets them visit their NYC flagship store without leaving home.<sup>12</sup>

Another brand entrance into the metaverse includes NFTs, which are one-of-a-kind digital assets with future value. They can range from an image, video, event ticket, song, cyber fashion for an avatar, or a unique piece of artwork. Secured by a blockchain, consumers have exclusive ownership and agency over NFTs, which they can buy, sell, and trade in the metaverse. It's a new paradigm for digital ownership with direct transactions between sellers and virtual communities.

Luxury retailers have been quick to capitalize on this trend. Last October, Dolce and Gabbana paired a series of NFTs with physical items and access to events and experiences, driving consumer loyalty beyond a basic transaction.<sup>13</sup>

These types of virtual/hybrid collectibles could be a \$25 billion segment of a \$300 billion NFT market by 2030.<sup>14</sup> With NFTs, the upside for brands is clear. Revenue flows through to profitability given that NFT unit costs are low and distribution costs are minimal. NFTs and other digital assets are changing the way people view digital collectibles, assess value, drive loyalty, and authenticate transactions.

## Luxury retail in the metaverse

The shared virtual world of the metaverse presents tremendous growth opportunities for the luxury sector. Industry analysts predict the growing demand for luxury goods in the metaverse could reach \$50 billion by 2030.<sup>15</sup>

Many luxury brands are connecting with consumers in the metaverse. Approximately 58 percent of luxury consumers surveyed by KPMG admit playing on a metaverse platform, many of which feature personalized avatars to reflect unique identities.<sup>16</sup>

Luxury brands can offer digital products and services that help shape these identities—driving new revenue streams, testing new product innovations, increasing loyalty with existing customers, and acquiring new customers.

<sup>8</sup> IKEA.com, Press Release, "IKEA to launch new AR capabilities for IKEA Place on new iPad Pro," March 19, 2020.

<sup>9</sup> HouseBeautiful.com, "Amazon's New Room Decorator Tool Lets You Virtually Design a Whole Room," April 25, 2020.

<sup>10</sup> CLIF Bar & Co. Press Release, "CLIF Kid Teams Up with Skateboarder Sky Brown," September 8, 2021.

<sup>11</sup> Runwaymagazines.com, "Salvatore Ferragamo presents House of Gifts," November 17, 2021.

<sup>12</sup> Obsessar.com, "How the metaverse can help the retail industry with sustainability," 2022.

<sup>13, 14, 15</sup> Marketwatch.com, "Luxury in the metaverse: Morgan Stanley says it can be \$50 billion market," November 16, 2021.

<sup>16</sup> KPMG analysis, KPMG Luxury Consumer Report, n=1000, February 2022.

# Exploring new experiences and identities

For businesses, the opportunities to scale in the metaverse are massive. From a social perspective, the development of more immersive virtual experiences can lead people to communities based on shared values, enabling them to express themselves in more authentic ways.<sup>17</sup>

But what are immersive experiences in the metaverse? Immersive experiences create an imaginative virtual environment using advanced technologies to fully engage and absorb the senses, altering a person's perception to create the assumption of a real environment. Immersive experiences establish a direct emotional connection between the brand and consumer and can be a brand differentiator in this new channel. However, brands must provide experiences that are authentic, appeal to the senses, and give consumers a compelling reason to return. Doing things right can drive consumer loyalty, create brand advocacy, increase engagement, enhance service, and more.

## ***Expanding your brand authenticity***

Many big brands and retail stores have already started experimenting with metaverse technologies, reimagining consumer experiences with immersive shopping experiences. For instance, Walmart seeks to build a true, personal connection with its consumers by creating a virtual try-on with the launch of its "Choose My Model" experience. It provides consumers the ability to currently select from 50 models that best represent their height, body shape, and skin tone to gain a greater understanding of how an item will look on them. Consumers can share their virtual outfits with friends for a second opinion, helping bring an inclusive, immersive, and social experience to digital shopping.<sup>18</sup>

Some companies may plan to launch new products and services while others may consider the possibility of creating malls, specialty shops, and virtual stores where avatars will be able to buy virtual products, such as NFTs, and pay in cryptocurrencies. Consumers can also purchase physical goods in the metaverse and have them delivered right to their door.

**In the next 5 years, it's estimated that 70 percent of brands will have a presence in the metaverse.<sup>19</sup>**



<sup>17</sup> JP Morgan, "Opportunities in the metaverse," January 2022.

<sup>18</sup> Walmart press release, "Walmart Launches Zeekit Virtual Fitting Room Technology," March 2, 2022.

<sup>19</sup> Nasdaq.com, "Metaverse: A new way for businesses to connect with customers?" February 9, 2022.

To be successful, such virtual experiences will need to satisfy consumer expectations, just like the physical world. In the metaverse, however, experience takes on additional meaning as companies go beyond offering products and services to becoming a provider of experiences too. And a central part of metaverse experiences for consumers is their digital identity, or avatar.

Avatars allow people to express themselves in entirely new and different ways. Avatars will be highly customizable and far less constrained by the limitations of the real world. Consumers can be who they want to be, look how they want to look, and act how they feel. Consumers are not confined to one personal identity and can represent different aspects of their personalities through different avatars. As a result, consumers have more freedom to express themselves.

### ***The power of metaverse influencers in consumer purchase***

There are also opportunities for companies to draw in more consumers in the metaverse via influencers, who already exist in other channels like social media. Influencers in this new virtual world will not only drive more spending on physical and virtual goods but also on metaverse experiences. This creates lucrative potential for both brands and influencers, who will enhance their status of being innovative and ahead of the curve.

In the metaverse, celebrities and other human influencers will join new virtual influencers that may be digital twins of real people or unique digital constructs. For example, last year Prada created “Candy,” a virtual avatar influencer named after the luxury brand’s perfume.<sup>20</sup> Created with a fictional bio and backstory, Candy promotes a campaign that challenges consumers to “rethink reality.” The virtual influencer appears in a print advertising campaign, video shorts, and social platforms, where she interacts with the real-life perfume bottle.

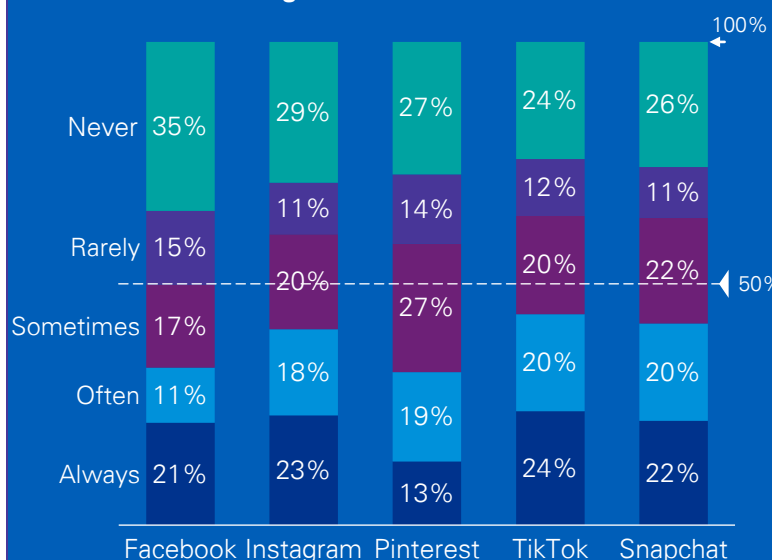
Consumers have been and continue to respond to virtual advertisements and direct purchasing in social channels, which can lead to similar opportunities in the metaverse. More than half of the consumers in our survey currently make purchases based on advertising or recommendations on social media platforms.<sup>21</sup> Approximately 60 percent make direct purchases on social media platforms via marketplaces, direct links to websites, or direct messages.<sup>22</sup> As more consumers enter the metaverse, this social commerce behavior will translate to more purchases through this new channel.

<sup>20</sup> Prada press release, “Prada Reveals New Candy Eau De Parfum Campaign And Introduces Virtual Muse,” October 21, 2021

<sup>21</sup> Slide 7

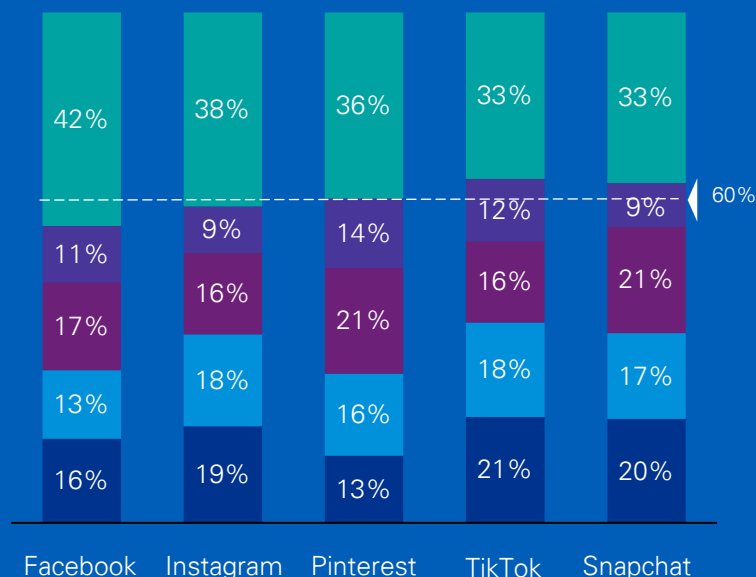
<sup>22</sup> Slide 8

### **Advertising influence of social media\***



\*Numbers do not sum to 100% due to rounding.

### **Social media usage for direct purchases (e.g., via marketplaces, links to company websites, or direct message)\***



\*Numbers do not sum to 100% due to rounding.



# Ask the right questions

Embarking on a journey into the metaverse requires a thoughtful and creative approach to outline objectives, determine strategy, and realize goals. Creating immersive experiences that are meaningful and exciting and provide relatable and relevant content can help drive engagement. However, just because you build it, doesn't mean consumers will come. Think carefully about your approach. Begin by answering the following key questions, which will help inform your organizational strategy and potentially a whole new world for your consumers.

## ***How are consumers engaging in the metaverse now?***

It's important to distinguish that the metaverse is an evolving universe of immersive 3-D virtual worlds, not a single destination. Still very much in its early stages, both consumers and businesses are actively exploring its potential. To enter metaverse experiences now, consumers use VR and AR devices, such as VR headsets/helmets and AR glasses/apps. With these devices, users can join others and engage in experiences such as gaming (Roblox, Fortnite, etc.) entertainment (attend concerts, watch movies, etc.) and shopping (virtual stores, virtual try-on rooms, exclusive events) to purchase virtual and physical items using cryptocurrencies. These experiences exist on various platforms underpinned by Web3 technologies.

Brands are currently meeting consumers in the metaverse by building virtual stores, virtual try on rooms, creating digital assets such as NFTs and other collectibles, offering private and hybrid shopping events as well as other experiences. Brands are already engaging consumers with these experiences by collaborating with gaming platforms, or buying digital real estate, setting up shops, and building brand communities on a growing variety of open platforms. As technology advances, new avenues of opportunities are expected to appear in the metaverse, enabling brands to create entirely new experiences, drive new revenue streams, build brand value, and reimagine the future.

## ***What is my brand strategy for the metaverse? What is it worth to my brand?***

Consumer trends, behaviors, and engagement levels within the metaverse, as our consumer survey has shown, vary widely by demographic, age, and socioeconomic status. When developing your brand strategy for the metaverse, it is important to understand what you are trying to accomplish in the space: Is it to build awareness? Are you looking to introduce new products? Or, are you looking to acquire new customers and drive sales? Overall, the metaverse offers vast opportunities for Consumer & Retail companies to drive brand value. But, which are right for your business and where should you focus your time and resources?

Consider what authentic experiences and services your brand can provide in the metaverse and whether it makes sense to do so. Explore the potential for new products, services, and revenue streams. Determine what opportunities can create value for your brand, either by reaching new audiences, developing new experiences, offering digital goods, creating partnerships, etc. Find out which of your competitors are in the metaverse and how your brand can differentiate itself. Most importantly, understand how you can continue to connect with your customers and evolve the storytelling of your brand seamlessly between physical and virtual worlds.





### ***Can you create an immersive experience?***

Creating immersive experiences in the metaverse needs to be authentic and must express something about the brand that is true in both virtual and physical realities. The virtual brand is not an alternative to the physical brand; it is meant to be a seamless continuation.

When creating immersive experiences for consumers or for employees, the experience involves finding ways to enhance people's lives. An immersive experience must give a consumer a compelling reason to come back. Immersive experiences must appeal to the senses, be meaningful, and satisfy expectations. It's important to define the objective of the immersive experience. Is the goal of the experience to interact with the brand in a cool new way, to drive a purchase, to learn more about a product, or drive consumers to increased brand loyalty? For employees, is the experience designed for training purposes, to give recognition, or simplify processes?

Determine your brand attributes – what do you want consumers or employees to feel and experience? Explore what benefits the experience will bring to them. Details matter when creating an immersive experience. Brands need to think about which technologies and techniques to deploy to create seamless, highly personalized experiences.

### ***How will the decentralized internet improve customer engagement?***

The metaverse changes business models, requiring brands to rethink how they interact and engage with consumers. In this new virtual setting, consumers are in total control, choosing how, when and where they will engage with brands. Consumers will be able to build and determine the future of their experiences, exhibiting independence over their own identity and creations. Brand managers need to determine what this shift will mean for their organization and what capabilities will be needed to create and operationalize new strategies. For example, as consumers engage with brands and make product purchases in the metaverse, it is logical that at some point they will want customer service in the metaverse. If they want to return an item, will they use email? Who would they call? In the decentralized metaverse, companies will have to develop entirely new customer relations models.

### ***What needs to be considered to address data protection and privacy?***

Consumer trust, privacy, security, and agility are critical components to future metaverse success. Because platforms, devices, and the web enable the metaverse, there is an increased awareness of the potential for cyberattacks and data breaches through end points, access, and use of new technologies that are constantly being attacked. Retailers and consumer goods companies entering the metaverse will need to define the device or digital platform (e.g. a shopping experience) they plan to offer and assess the data risks involved. Following their risk assessment, they can determine the appropriate access, identity management, secure code, infrastructure, and device approach to combat cybercriminal attempts.

Consumers are an easy attack point for bad actors who seek personal information, digital identities, and other information to help advance attacks with breaches and ransomware. Devices used within the metaverse can copy a person's identity, including data collection of personal information such as a user's facial expressions, eye and hand movements, behavioral characteristics, physiological responses, and other biometric features. For consumers, authentication and access attacks can lead to issues with fraud, identity theft, abuse, or harassment. As worldwide devices connect in the metaverse, a company's IT infrastructure needs to meet evolving security requirements.

Companies will also need to take steps to protect their brand and IP to avoid the misuse of their brand name, which can be imitated and used to commit fraud and



destroy trust with customers. Brands can and should file trademark applications for virtual goods, like they have for physical goods. Some areas of the metaverse may already have a process or system for brands to file notices and lodge complaints for trademark violations. Companies can put reporting mechanisms in place to collect information about possible personal and confidential data misappropriation and respond accordingly.

### ***Who will build your virtual kingdom?***

Once the decision to pursue a specific path is made, think about the talent that is needed to carry out your vision. Determine if there are people already within your organization who could help navigate the metaverse and identify opportunities to upskill employees. Then decide what skillsets are needed to capture the vision. How will you structure your team to build out the vision? Talent with metaverse technology skills will be in high demand, especially digital engineers, designers, developers, and emerging technology experts in crypto, digital assets, and AR/VR strategy and development. But new business development, marketing, sales, and other functional areas will also play key roles.

We recommend working closely with human resources and internal or external innovation teams to identify roles and skillsets needed to map out a talent strategy. In doing so, consider incentives to attract and retain talent, thinking beyond compensation to include other motivating factors such as an organization's culture; diversity, equity, and inclusion; training; and mobility and flexible work arrangements to reflect expectations of a modern digital workplace. Providing growth opportunities, upskilling existing talent and acquiring young talent can help your organization foster outside-the-box thinking and build loyalty that's resilient to the challenges of a rapidly evolving metaverse marketplace

## Looking ahead

The potential opportunities of the metaverse seem endless, which is why its arrival ignites a sense of urgency to get on board. However, we view the urgency less about immediate execution and more about figuring out the impact it has on your brand and the potential opportunities available. If the metaverse presents opportunities that have a direct impact on a company, it's worth capturing the moment. The urgency should be driven by deciding what the metaverse can mean for your brand and being thoughtful about enabling a long-term strategy. The goal is to go boldly, not blindly.

## How can KPMG help?

We can assist with your metaverse exploration by helping you:

- Develop a strategy and execution plan for the metaverse
- Build your presence and work to achieve your consumer potential in the metaverse
- Structure your business to capture the full metaverse opportunity
- Form partnerships and alliances in the metaverse
- Capture the employee and cultural experience for your organization

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