

## IMPACT OF METAVERSE ECOSYSTEM ON DIGITAL MARKETING

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### ABSTRACT

The purpose of this review paper is to analyze the marketing ecosystem in the metaverse with a special focus on the practices and opportunities of digital marketing in a three-dimensional business environment. Metaverse can be seen as a new marketing ecosystem that will transform the entire marketing industry from the physical to the virtual world of the future. A cutting-edge strategy for giving potential customers an immersive experience is metaverse marketing which allows brands to adopt an aggressive approach to shape their digital futures to connect with Generation Z consumers. While the metaverse's infrastructure is still being built, marketers can set themselves up for a prosperous entry into virtual reality by adopting digital marketing strategies such as creating personalized NFT, E-gaming, possessing virtual real estate, and selling digital goods to Avatars. These digital strategies are the main characteristics of the metaverse marketing ecosystem. The worth of virtual commodities in the metaverse is equal to that of their physical equivalents, which may appear astonishing to marketing professionals. Marketers who wish to succeed in a virtual environment must think about what they can provide to their consumers to stay relevant in a virtual business environment.

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## INTRODUCTION

The major international brands are becoming more familiar with the Metaverse. The key Metaverse breakthrough is anticipated to occur when the next layer of brands, the local and regional ones, begin to penetrate the Metaverse (Hollensen, Kotler, & Opresnik, 2022). The pandemic forced brands to find new and compelling ways to connect with consumers around the world without compromising their unique authenticity. As a result, marketers quickly embraced technology, utilizing the metaverse to bring their brands to life with a wide range of new creative expressions. The phrase “metaverse” which was one of the trendiest in technology in 2021, refers to a 3D virtual environment that enables inter-universe communication. The metaverse is made up of augmented reality (AR) and virtual reality (VR), and it gives users an immersive experience (Kim, 2021). The exponential growth in digitalization is turning the world into a virtual marketplace for firms and consumers (Ballantyne & Nilsson, 2017). No one can currently describe or foresee the future of the Metaverse because of its complexity. Because of the paradigm shift, there are questions about whether marketing will function the same way in both worlds (Kim, 2021). In the changing Metaverse, conventional business strategies and marketing techniques can become less effective. There is a need to adopt emerging digital marketing techniques to create a metaverse marketing ecosystem. However, business model developers, digital marketers, software businesses, and technology manufacturers can benefit from the metaverse (Ji & Hanna, 2020).

The field of marketing will be heavily impacted by the “Metaverse” in the future (Hwang & Lee, 2022). It will revolutionize all facets of marketing and advertising in virtual settings in the coming years (Kim, 2021). It is ideal to capitalize on the immersive and engaging nature of the Metaverse by offering the same immersive experience through interactive advertisements and marketing campaigns. Younger generations, like millennials and Generation Z, are crucial target markets for businesses since they are avid users of specific Metaverses, such as Roblox. Due to its enormous popularity, economic significance, and worldwide reach, Esports has become a crucial marketing platform (Freitas et al., 2020). Seeing the possibility of entering the esports industry, some corporations have already made large expenditures in esports marketing. Consumers’ engagement in digital goods in the metaverse would catalyze for digital marketers to leverage.

## RESEARCH METHODS

The literature on the marketing prospects in the Metaverse is generally lacking. To interpret the practices of marketing in the metaverse and to identify prospects for digital marketing to succeed in the future, this article used a review article research approach. The main objective of a review paper is to briefly evaluate current developments in a given field i.e., marketing in the Metaverse. The analysis in review papers presents the current state of understanding of the subject in general. Discussing the findings provided in recent research publications, helps the reader grasp the subject. Narrative and systematic reviews are the two subcategories of review papers. Narrative reviews are written in a style that is simple to read and allows for a broad analysis of the subject matter (Gülpınar, 2013). However, to study the recent development of digital marketing in a metaverse setting, this paper adopted a narrative review technique.

## An Insight into the Metaverse Industry

Stephenson (1992) first described the Metaverse, a “three-dimensional” or 3D virtual world populated by avatars of real people, in his book titled, Snow Crash. In addition, it has emerged as one of the most commonly used technical words in the year 2021 (Kim, 2021). According to Narin (2021), the term “Metaverse” today is used to describe a virtual environment in which people feel entirely cognizant of employing active augmented virtual reality technologies. The term “metaverse” is now also used to refer to 3D virtual environments where people can interact with their surroundings and one another free from the physical limitations of reality. The continuity of an interactive, immersive, and social user experience is thus characteristic of the Metaverse. However, the following are the main components of Metaverse:

- Augmented Reality (AR) and Virtual Reality
- Artificial Intelligence (AI)
- Internet of Things (IOTs)
- 3D Construction
- Cryptocurrency and Blockchain

According to Caulfield (2021), many of the most well-known technological businesses in the world have joined the Metaverse and played an important role, including Facebook Horizon, Nvidia Omniverse, and Microsoft's enterprise Metaverse. A single firm cannot have control over or ownership of the Metaverse (Brown, 2021). Contemporary Industry statistics – as shown in Table 1 - may assist businesses with customer segmentation and targeting, competitive analysis, opportunity identification, and strategic and financial decision-making. Metaverses are places where people can do business and where technology that becomes very essential enables economic transactions and the market value of businesses (Visconti, 2022). By 2030, it is projected that the market value of businesses involved in metaverses will reach \$ 2.5 trillion (Bloomberg Intelligence, 2021). Table 1 illustrates the latest facts and predictions for Metaverse.

**Table 1**

*Metaverse Statistics' 2022 predictions for market size and industry growth*

Metaverse Facts 2022	The Metaverse market was worth \$46 billion in 2020.
	The Web 2.0 Metaverse is valued at \$14.8 trillion in October 2021
	\$10 billion has been invested in the Metaverse by Meta's Reality Labs segment.
	NFTs saw an increase of \$2.5 billion during the pandemic's peak.
	North America holds the largest share of the Metaverse market
	VR gear sales are set to hit \$10 billion in 2022
	Global shipments for VR and AR are set to reach 76 million in 2024.
	AR and VR headsets will be sold to the tune of 26 million units by 2023.
	There are expected to be 1.7 billion AR users on mobile in 2024
	The Metaverse market size is predicted to reach as much as \$800 billion by 2024.
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	JP Morgan predicts the Metaverse market size will be worth \$1 trillion (no time frame given).
	Goldman Sachs predicts the Metaverse market size will be worth \$1-12 trillion (no time frame given).

*Note Metaverse Statistics' 2022 predictions for market size and industry growth. Adapted from Wise, J. (2022, July 24). Metaverse Statistics 2022: Market Size & Industry Growth Predictions. EarthWeb. <https://earthweb.com/metaverse-statistics/>*

**Metaverse Marketing ecosystem – A Paradigm Shift**

During the pandemic, metaverse marketing emerged as one of the most significant new channels for marketing. Marketers are swarming to the metaverse for a variety of reasons. It's new, and there are now quicker connections to handle expanding environments. The fact that marketers can target Millennials and Gen X in new ways - thanks to metaverses - is perhaps the most crucial factor. Marketers want to reach these audiences and keep them informed about and interested in their products and technologies. How will marketing operate in the metaverse? All marketers are compelled to speculate about it, but few can explain it. While the metaverse's infrastructure is still being built, marketers can set themselves up for a prosperous entry into virtual reality. The worth of virtual commodities in the metaverse is equal to that of their physical equivalents, which may appear astonishing. Marketers that wish to succeed in this new environment must think about what they can provide for their audiences. This could entail branded apparel or accessories for client avatars for some companies trying to promote in the metaverse. The virtual world heavily relies on cryptocurrency, and some businesses are offering coins and tokens in exchange for unique experiences within their communities or virtual worlds (John et al., 2021).

The digital purchasing process is more interactive and social in virtual environments, incorporating novel methods of value co-creation (Ballantyne & Nilsson, 2017). Non-fungible tokens (NFTs) are transferable ownership interests in digital goods including music, artwork, in-game items, and collectibles. Ballantyne & Nilsson (2017) claim that when customers participate in co-creating new services in digital services capes where time and place are irrelevant, they receive special and valuable services. In addition, the new digital environment enables the client to participate in the value-creation process. As a result, virtual spaces help organizations better understand their clients and boost client engagement. Metaverse platform would offer the chance for commercial partnerships where everyone will support one another and produce positive results. By developing NFTs, digital commodities, and accessories for avatars, businesses might make money in the Metaverse. These digital products might be modifiable representations of real-world objects. This could be seen as suggesting that enterprises may have a new way to turn a profit by producing both physical and digital things. These digital products can be altered to fit the demands of the buyer, adding value.

Kim (2021) has expressed doubts about the effectiveness of advertising and if it will function the same way in the Metaverse as it does in the virtual world. This is because traditional business strategies and marketing tactics may not be as effective there. There are no restrictions on creativity or imagination in the Metaverse when it comes to sponsorship or branding; the platform allows companies to build whatever they want or can envision. This indicates that the Metaverse can provide choices for marketing uniquely and unconventionally which is not common. Due to the technology offered by the platform, Metaverse would give enterprises additional client data. Participants, therefore, believed that the Metaverse would track, record, and tally people's interactions with advertisements as well as their eyeballs on them. It might imply that the Metaverse will offer resources as well as a useful and supplementary data source that companies can use to better understand the behavior of their clients. As a result, the Metaverse will greatly enhance marketing strategies. However, the following marketing techniques in Metaverse are considered essential.

- Create Your Own Personalized NFT.
- Possess Virtual Real Estate for Metaverse Marketing
- Create E-Gaming
- Sell Digital Goods to Avatars

Table 2 shows the paradigm shift from traditional marketing practices to the digital transformation of marketing in the Metaverse.

**Table 2**

*Metaverse marketing ecosystem – A paradigm shift*

Traditional	Digital Transformation
Storytelling	Story Making
Life Events	Virtual Performances
Models/Spokespeople	Virtual Human
Direct To Consumer	Direct To Avatar
Centralized	Decentralized
Experiences	Massive Interactive Live Events
Fast Fashion	Virtual Fashion
Loyalty Programs	Blockchain Backed Benefits

*Note: Metaverse marketing ecosystem – A paradigm shift. Adapted from Patent, M. Scott, D. Lee, M, Gilmore A. The metaverse is the medium. MMA Global. (n.d.). Retrieved August 22, 2022, from <https://www.mmaglobal.com/documents/metaversemedium>*

Businesses can advertise anywhere since the metaverse has no limits. Additionally, the platform may allow anyone to sign up, enhancing exposure to the adverts and raising brand awareness. It might imply that the Metaverse will allow for space-free immersive and virtual advertising. Due to the platform's high user density, brand and advertising exposure will gradually rise. Table 3 shows different companies investing in Metaverse to enter into a new virtual world of business.

**Table 3**

*Metaverse Case Studies*

Company	Metaverse Activities
Nike	<p>On Roblox, Nike created their metaverse, NikeLand. Create an avatar and play sports games to gain rewards in this metaverse, which encouraged Nike followers from all over the world to participate.</p> <p>Nike acquired RTFKT Studios, a provider of digital collectibles, to strengthen its position in the metaverse market.</p> <p>Nike was able to offer digital sneakers for customers' avatars because it owned RTFKT. Because they are NFTs, these sneakers can only be found online. However, this well-known sports company had a \$12.2 billion boost in profits.</p>
Coca-Cola	<p>Coca-Cola created several virtual items as their first NFTs in collaboration with Tafi. To honor International Friendship Day, the business did this and held an online auction for virtual wearables within the "Friendship Box" on the Decentraland platform.</p> <div data-bbox="564 701 1189 831" data-label="Image"> </div> <div data-bbox="635 842 1189 1128" data-label="Image"> </div> <p>Source: Medium.com</p>
Facebook Metaverse	<p>Mark Zuckerberg decided to transform Facebook into a "meta business" in response to the controversy around the metaverse and NFTs. Facebook would develop into a virtual world where users may engage in more realistic social interaction, gaming, learning, and online job. As a sign of their commitment, Facebook now comes under "Meta".</p> <p>Virtual offices for digital workers, virtual reality games, and the platform Spark for digital artists are all components of the Facebook Metaverse. Facebook has also released headgear and a pair of smart glasses in collaboration with Ray-Ban.</p>
Balenciaga	<p>It has created a Balenciaga Hub with a virtual shop in the Fortnite game. This online cosmetics shop allowed gamers to purchase cosmetics, and Balenciaga also provided a physical clothesline to go along with it.</p> <p>It's fascinating to note that Balenciaga offers both tangible goods and NFTs.</p> <p>Balenciaga displayed an animated billboard in the Fortnite universe and physically erected the identical billboard in Tokyo, New York, and London.</p>
Decentraland	<p>The first metaverse wedding took place in Decentraland</p> <p>Decentraland provides a browser-based 3D platform using the Ethereum</p> <p>apparel, and accessories.</p> <p>Decentraland offers customers the chance to make money playing mini-games to keep them interested. These users can buy and sell virtual goods and digital property.</p>

Note: Metaverse Case Studies. Adapted from L. (2022, March 12). Metaverse Marketing: 2022 Ultimate Guide to Create an Immersive Brand Experience. P2P Marketing. <https://peertopeermarketing.co/metaverse-marketing/>

## CONCLUSION

The new marketing platform of the future, known as Metaverse, will be used to present and breathe life into a variety of companies in the 3D interactive digital environment. The metaverse is a virtual representation of how things are done in the real world. Users can interact with one another in this 3D virtual environment by using avatars that look like them. This will have a significant impact on how businesses use the marketing function going forward as well as how we interact with one another (Hollensen, Kotler, & Opresnik, 2022). A cutting-edge strategy for giving potential customers an immersive experience is metaverse marketing. Businesses can raise their brand awareness while charging extravagant fees for digital goods and NFTs. Nike, Balenciaga, and Facebook, all multimillion-dollar companies, have all gotten on the metaverse marketing trend. This is due to the metaverse's substantial potential for financial gain. Additionally, brands can fully immerse customers in their goods. The metaverse can revolutionize every aspect of marketing and advertising. It opens up new marketing opportunities because the platform enables companies to have virtual promotions without physical or geographical restrictions. It supports the idea that Metaverse is immersive and engaging in interactive commercials and marketing efforts (Abed & Rinkevic, 2022). It would enable businesses to deploy tools that track, measure, and tally people's interactions with ads, providing a potentially useful additional source of customer behavior data. Companies may make money in the Metaverse by producing digital commodities including avatar accessories, games, and animations. It also enables things to feel more realistic and attractive with the use of VR technology, which will improve virtual customer experiences.

This review paper revealed that Metaverse is a brand-new platform for consumer engagement that can grow corporate operations and boost earnings. This could imply that the Metaverse would open doors for businesses to enter the virtual market and enable them to provide customers with a more engaging and satisfying experience. Additionally, since the company would reach a wider consumer base and commercial operations like marketing and sales will be expanded, this could result in a new source of income. In light of this, the Metaverse may be viewed as a further commercial setting where businesses can virtually and immersive replicate their real-world operations. With the aid of VR headsets, Metaverse would provide a better experience for users. It will enable viewers to experience playing, moving around within the game, and viewing it from various perspectives. The Metaverse can deepen a relationship since consumers now have an immersive connection with creators, influencers, and marketers.

## COMPETING INTERESTS

Authors have no competing interests to declare.

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