

## **Investing in the metaverse as a business:**

### **Opportunities, disadvantages, and future prospects**

#### **Identification of the subject**

Although virtual reality has not been well received by traditional users in the past, companies such as Meta and Epic Games are competing to create a metaverse, spending billions in the process. In this context, my research focuses on the impact of the metaverse on companies that are not involved in building the metaverse and the value it could generate for them. Therefore, I consider the future predictions, opportunities, and drawbacks.

#### **Personal motivation and rationale**

I have become aware that the metaverse is of great relevance for international business students like me, since every possible field that we cover in our degree programme can be found in the metaverse. Thus, we could be dependent on the metaverse in our future profession. For us to evaluate to what extent this will actually be the case, I assume the perspective of a company.

#### **Research question and hypothesis**

From this perspective, the question arises whether and which companies should invest in the Metaverse according to the current state of information, and whether this investment would be sustainable depending on the success of the Metaverse. I hypothesise that only high-income companies are currently able to invest in the Metaverse, as they are able to deal with the high level of uncertainty and a potentially failed investment. Low- and middle-income companies should wait to invest to ensure the success of the metaverse.

#### **Literature review**

Methodologically, my research is based on the latest literature on the field. Unfortunately, the literature selection clearly shows that the topic has only recently gained relevance. The most represented literature is on marketing possibilities, but literature on internal organisation possibilities, such as the metaverse as a workspace, is missing. Future literature as well as consumer surveys could complement my hypothesis and show more precise information on the investment possibilities of the metaverse. Furthermore, I have left out ethical and moral reservations to facilitate an objective discussion. The field of morals and ethics could also expand my hypothesis and give reasons why companies and consumers should consciously decide against the metaverse.

The Metaverse refers to a linkage of virtual worlds based on both virtual and augmented reality in which users can interact with their environment. As of September 2021, over 90 companies were involved in its creation. As the development is driven by technology giants like Meta, it is foreseeable that the metaverse will have a long-term future (Kshetri, 2022). Moreover, experts claim that this virtual world will be the marketing platform of the future, as it will fundamentally change the way we communicate with each other (Hollensen, Kotler and Opresnik, 2022). It will be much more efficient for companies to build relationships with consumers and to gain access to sensitive data (Huansheng et al., 2021). Through the various interaction possibilities, consumers are more impressionable and can thus build an emotional and strong connection to the company. Since the metaverse allows access to new generations of consumers, it is particularly attractive for building a long-term relationship (Kshetri, 2022). The metaverse will revolutionise not only marketing but, according to experts, almost every industry (Hollensen, Kotler and Opresnik, 2022; Mystakidis, 2022). Consequently, every company, regardless of industry, could benefit from the metaverse.

However, the generation of new consumers just mentioned are still children under the age of 13. This age group is currently most strongly represented by the pioneers of the metaverse such as Roblox and Fortnite, which are video game platforms. Companies like Nike and Gucci are heavily investing in these platforms to turn this age group into future shoppers. As a result, companies are currently investing to increase their brand awareness and not to generate financial profit (Kshetri, 2022). The investments are also costly, as for example server costs must be covered and cybersecurity has to be developed (Mystakidis, 2022). Given that this is a new market, companies are competing for the first mover-advantages and are raising barriers to entry, requiring a corresponding investment in marketing to keep up with the competition. Not only are the costs high, but also the uncertainty. So far it is not clear what the metaverse will look like in the future and which will be the dominant design. Which demographic groups apart from the younger generation will enter and use the metaverse is likewise not clear (Kshetri, 2022). In addition, the technical preconditions for the metaverse are not yet in place, as the internet network is not robust enough and 6G mobile technology is likely to be required (Hollensen, Kotler and Opresnik, 2022). What also delays mass adoption is the prohibitive cost of equipment (Mystakidis, 2022).

From this literature, I conclude that currently only high-income companies are able to invest in the metaverse that can plan for the long term and are able to bridge the costs until values can be generated in the future. These companies also need to be able to create value for consumers whose product or image is viable on video game platforms and attractive to the younger generation. For low-income companies, the investment amount and the lack of market clarity could cost the company success, as it is unclear when it would pay off and a misinvestment in a platform is possible.

## References

Hollensen, S., Kotler, P. and Opresnik, M.O. (2022), "*Metaverse – the new marketing universe*", Journal of Business Strategy

N. Kshetri (2022), "*Web 3.0 and the Metaverse Shaping Organizations' Brand and Product Strategies*," in IT Professional, vol. 24, no. 2, pp. 11-15

Mystakidis, S. (2022), "*Metaverse.*" Encyclopedia, vol. 2, pp. 486–497

Huansheng, N. et al. (2021), *A Survey on Metaverse: The State-of-The-Art, Technologies, Applications, and Challenges*

### Keywords

1. **Metaverse:** a new type of Internet application and social form that integrates a variety of new technologies. It supplies an immersive experience based on augmented reality technology, creates a mirror image of the real world based on digital twin technology, builds an economic system based on blockchain technology, and tightly integrates the virtual world and the real world into the economic system, the social system, and the identity system, allowing each user to produce content and edit the world. Metaverse is still a concept that is constantly evolving, and different participants are enriching its meaning in their own ways
2. **Roblox:** a massively multiplayer online game created and marketed toward children and teenagers aged 8–18. In the game, players can create their own virtual world, in which they or other online members may enter and socialize within the blocks of varying shapes, sizes, and colours
3. **Fortnite:** a free-to-play Battle Royale game with numerous game modes for every type of game player. Watch a concert, build an island or fight
4. **Meta Platforms, Inc:** doing business as Meta and formerly known as Facebook, Inc., is an American multinational technology conglomerate based in Menlo Park, California. The company owns Facebook, Instagram, and WhatsApp, among other products and services.