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$5 trillion. That’s how much economic opportunity the metaverse will generate in coming years, according to a recently published report from McKinsey.

The report, *Value Creation in the Metaverse*, says that the metaverse will permeate every sector and every business activity. McKinsey says that metaverse has the potential to change everything from employee engagement to the customer experience, omnichannel sales and marketing, product innovation, and community building.

A similar report from JP Morgan, *Opportunities in the Metaverse*, says that the metaverse will permeate every sector. For example, virtual real estate is a growing market. The average price of a parcel of land doubled in a six-month window in 2021. It jumped from $6,000 in June to $12,000 by December across the still-evolving metaverse. This growth is happening partly because brands have been buying up space so they can create virtual stores and other experiences. For example, in 2021, one land package in Decentraland was sold for $913,000, with the developer Everyrealm turning it

into an entire shopping district, Metajuku (inspired by Japan's Harajuku shopping district).

Already, more than $54 billion is spent annually on virtual goods, almost double the amount spent buying music. JP Morgan believes the economic value of the metaverse will explode partly because the metaverse represents not one virtual world but many worlds, which are taking shape to enable people to deepen and extend social interactions digitally. This value will be realized in many ways, for instance:

- Peer-to-peer: developers (content creators) directly earning revenue from sales of virtual goods and services.
- Users/gamers earning money through play or participation in platform governance
- Royalties on secondary trades of non-fungible tokens (NFTs) to creators.

Meanwhile, McKinsey's research arrives at similar conclusions. The potential impact of the metaverse varies by industry, says McKinsey, "although we believe it holds implications for all. For instance, we estimate it may have a market impact of between $2 trillion and $2.6 trillion on e-commerce by 2030, depending on whether a base or upside case is realized. Similarly, we estimate it to have an impact of $180 billion to $270 billion on the academic virtual learning market, a $144 billion to $206 billion impact on the advertising market, and a $108 billion to $125 billion impact on the gaming market."

McKinsey reports that corporations, venture capitalists, and private equity forms have already invested more than $120 billion in the metaverse in the first five months of 2022 – which is more than double the $57 billion invested in all of 2021.

And they have good reason to. McKinsey reports that almost 60 percent of American consumers using today's early version of the metaverse are excited about transitioning everyday activities to it, with connectivity among people the biggest driver, followed by the potential to explore digital worlds.

As a result, both McKinsey and JP Morgan note that business leaders are increasingly asking, "What is my metaverse strategy? What am I supposed to be doing in the metaverse? What is the metaverse anyway?"

These are all excellent questions. They need to be asked, and answers need to be formulated thoughtfully. As the recent crash of cryptocurrencies demonstrates, the building blocks of the metaverse are in their formative stages, and financial investments in the metaverse are anything but risk free.

What Is the Metaverse?

The metaverse is a virtual world in which people interact through digital twins in immersive environments, as we discuss in a recently published white paper from Centific, *The Metaverse: A New Horizon in Digital Reality*. Those environments might use extended reality technologies such as virtual reality (VR), augmented reality (AR), and mixed reality (MR). But VR, AR, and MR are not necessary for the metaverse to exist.

Neal Stephenson's 1992 science fiction novel *Snow Crash* coined the term to describe a world in which humans use avatars to interact with each other in three-dimensional environments. The concept has resurfaced many times in popular culture, an example being Ernest Cline's 2011 science fiction novel *Ready Player One*, which Steven Spielberg adapted into a film in 2018.

The metaverse is more than fiction. Real businesses are creating elements of a virtual world for real people, a point underscored by venture capitalist Matthew Ball in an oft-quoted 2020 essay. For instance, fashion brands such as Gucci and are creating virtual products for sale in metaverse environments such as gaming platform Roblox. In May 2021, Gucci and Roblox collaborated to create a virtual Gucci Garden, where Gucci sold virtual goods via Roblox currency (Robux). Gucci limited edition bags sold for the equivalent of $4,115. Meanwhile, gaming platform Minecraft has collaborated with brands such as Disney to offer virtual experiences available for a fee to Minecraft players.

Fortnite, the popular gaming platform developed by Epic Games, might be the closest expression of the metaverse operating today. In Fortnite's world, people use avatars to play games, buy virtual goods, and experience events such as musician Ariana Grande's well publicized 2021 concert. In fact, Epic Games recently said that it has secured $1 billion in funding to build out a metaverse beyond Fortnite.

Depending on whom you ask, the metaverse exists already. Indeed, aspects of the metaverse exist today; however, they are not yet connected, which metaverse purists believe needs to happen for the metaverse to exist truly.

How Businesses Should Get Started with the Metaverse

McKinsey says that business leaders should develop a strategic stance by defining metaverse goals and the role they want to play; testing, learning, and adopting by launching initial activities, monitoring results, and examining user behavior; and preparing to scale by identifying necessary capabilities and embedding the metaverse in their operating model. They should also explore becoming metaverse users themselves.

JP Morgan acknowledges that despite much excitement about the possibilities of the metaverse, in order to enable its full potential for engagement, community building, self-expression and commerce, key areas need to be further developed and matured. Those areas range from technology to privacy/identity.

At Centific, we believe now is the time for businesses to identify a fully realized strategy for embracing the metaverse: with people at the center. It is essential that businesses understand the wants and needs of people and their motivations for being in the metaverse before a business develops products and services in the metaverse. Tellingly, a Razorfish study recently indicated that more than half of Gen Z feel more like themselves in the metaverse than in the offline world. Brands seeking to connect with this audience should ask questions such as why they feel so comfortable in the metaverse, and what is it about the metaverse that meets their emotional wants and needs? After all, creating a strong brand, whether in the metaverse or in the analog world, is about making an emotional connection.

We suggest that businesses incorporate into their metaverse strategy the use test-and-learn tools such as design sprints to imagine how they might operate more extensively in virtual environments. The beauty of the design sprint it is engineered to help product development teams tackle questions for which there are no obvious answers, which is ideal for the metaverse. For instance, a business might ask:

- How might we develop lovable products virtually beyond what we're doing today?
- How might we create experiences that make it possible for people to more easily and

securely make purchases virtually?
- How might we help employees break through limitations of time and space to operate more effectively in virtual environments?

These types of specific questions lend themselves to more focused experimentation than, say, a broader, far-reaching question such as, “How might we build a metaverse?”

At Centific, we help businesses figure out how to innovate with product development cost-effectively through our own FUEL methodology, which combines tools such as design sprints with product development approaches such as lean innovation.

Contact us to get started. And read our recently published white paper, *The Metaverse: A New Horizon in Digital Reality*, to get a taste of our thinking on this topic.