The So What from BCG

Who is Building the Metaverse? And Does It Matter?

Georgie Frost: The internet has come a long way since its first workable prototype in the 1960s. Today it touches practically every area of our lives, but now many believe the next iteration has arrived, with the potential to empower communities, brands, and consumers in completely new ways. So as a business leader, should you be frightened or excited by the metaverse, and how do you prepare for what’s coming? I’m Georgie Frost, and this is The So What from BCG.

Jessica Apotheker: If you look at the pace at which new platforms have been adopted in the past ten years, that pace is exponential. It took many years for Facebook to be a household platform that everybody was using. It took TikTok one year to reach a scaled level. And if you think of another platform, that is ChatGPT, it took it just a couple of weeks to be used by people around the world.

Georgie Frost: Today, I’m zooming out to take a high-level view of the metaverse before drilling into the details on future episodes. Joining me in this discussion is Akbar Hamid, Web3 marketing and coms expert, and co-founder of People of Crypto Lab, and Jessica Apotheker, Global CMO of BCG and BCG X, the firm’s tech powerhouse.

Jessica Apotheker: The future is “phygital.” If you think of what the metaverse is doing right now, it’s trying to bring back more physical experience in the digital world. That’s what it does. It actually mimics a lot of the reality that you would have in the physical world.

When a lot of my clients ask me, "When I’m thinking of marketing in the metaverse, how should I think about it?” I say, "It’s like retail. It’s exactly like retail. You should think about it in the same way you were thinking of your stores, of advertising in billboards.” It’s very similar, where you’re just taking that to a completely new space where you can reinvent the codes massively.

It’s fun, it’s new opportunity. But in reality, we see people and more and more the younger generations interacting with physical and online channels in a totally seamless way. It’s totally seamless for them. They go from one to the other and one enhances the other. And when they’re in the store, they have an iPhone in their hand and they’re actually checking information online and vice versa.

Akbar Hamid: It really is the evolution of social and human behavior, Georgie. That’s how I look at it. We live in digital first worlds. When I look around me on an airplane on the subway, everybody is just on a screen. I do want to pause and say, I hate to break it to everyone, but the metaverse in our future is not going to be behind some goggles in a dystopian world. The metaverse is just the evolution of digital engagement and digital identity.

So metaverse worlds are virtual worlds. You’re entering to either play a game, solve a quest, connect with your friends, and I think it’s nothing to fear. It’s technological innovation that we have to embrace, so let’s lean into it and not away from it. And then just on Web3 really quick, that’s just taking back control of our digital identities, owning our digital assets, so creating a more free and open digital world that’s not owned by just few entities.

Really, it’s giving power back to us, to the creators, to the communities, so we can really take ownership in more meaningful and direct ways, a lot of creativity for brands to play with. And we’re also seeing transformations of the e-commerce shopping experience. So that, to me, also especially for brands, is huge because right now they’re such flat experiences. Now we’re seeing 3D worlds and really immersive experiences where we’re going to shop now that we’re spending more time just shopping online and at home.

Georgie Frost: Is it something about the metaverse that is just more emotive? I mean, will they have a
better connection with their clients? What is so special about the relationship or the future relationship?

Jessica Apotheker: I think if you think of what is technologically different in the metaverse, there are actually two components. There is one that is the fact that it is blockchain-based. And because it is blockchain-based, you as an individual have an identity that is purely anonymous, defined by your wallet that you control.

You create a wallet online, and that wallet, because it's blockchain-based, is very hard to crack. It's a way to encrypt your data to a level of extent that you couldn't have and that you control access to, versus in the platform today, the platform actually masters that access to the data and is portable from platform to platform. That portability is one of the things that is not yet materialized in the metaverse, but that will be one of the biggest breakthroughs of tomorrow. Imagine you can take your Facebook information to Amazon and to Google seamlessly, based on what you decide. That's a huge revolution.

Now, if you think for example, of digital health and of health care data, that could open up a whole range of use cases of online support that we couldn't do before because of data confidentiality and data portability issues. So I see metaverse as in the way that you can actually enable individuals to reconcile all of their data from physical to online in a very seamless way, and that is the real revolution here.

Akbar Hamid: Yeah. If I’m speaking more from the creator, community, consumer perspective, we are seeing major luxury brands or brands, it doesn’t have to be luxury, who are connecting with creators in corners of the world and working with them on collaborations that would never before have ever been possible.

In terms of giving people...there is going to be a big emotional connection and complete shift because you’re giving people access to the brand. You feel so much more connected and you’re allowing people to play with the brand that was so guarded.

So I think brands even, especially luxury, but brands, are becoming more inclusive, not just in diversity and all of the things we absolutely need in inclusivity, but also in diversity in terms of like...and inclusivity in terms of allowing people that would not normally have access to their brands and may still not be able to afford them in the physical world, to still engage with them in many ways and build an emotional connection.

And I think when you look at brands like Gucci and what they’re doing in Roblox, it’s brilliant, because they’re tapping into a new young consumer base because their core consumer is going to age out, and the young consumer cares about very different things, and they’re getting emotional attachments to them at a younger age that will then eventually turn into retail real-life engagements, experiences, shopping. I think to me it’s the connectivity like we’ve never seen.

We thought social media and Instagram were going to connect us. And I think this, I almost want to say makes brands feel like family, because you’re in their world with them and you sort of feel this equitable sort of feeling of like, “I’m in there with you, with the CEO, with the CMO, and I’m helping you shape the narrative, and my voice counts because I’m a holder of your token or your asset, so my voice counts in what you’re doing.”

Georgie Frost: You are very deep into this world, so forgive this question from someone who isn’t, but how “there” are we when it comes to the metaverse? Because I don’t know anyone that’s doing the sort things that you’re talking about. Where are we at in this journey and where could we get to? What is the potential for companies and indeed industries?

Akbar Hamid: It’s an insane potential. You’re right, we’re still in the beginning stages. We have to realize people have been doing this gaming and exchanging products within gaming and kind of living in gaming worlds for decades. Gaming is not new. But where we are as a society, as a mass consumer audience entering the space is new. Even for myself, I just got into this four years ago. I come from 20 years working with big brands, but I think what people need to remember, and brands need to remember,
digital assets are poised to be a $200 billion industry later this decade. I mean, it is ripe for opportunity.

And to me, the onus and responsibility for onboarding of mass communities and education sits with brands, because brands drive culture. And if you’re looking at Nike and what they’re doing with Nike Swoosh or Starbucks and Starbucks Odyssey, these are household names, which is why I want to say them. These are brands that we engage with every day on a global level, and they are embracing this technology in really unique ways.

You don’t have to know in many ways as well. Obviously we want people to be educated and informed, but we also want people to just jump in and embrace the technological evolution. So it is early stages, you’re absolutely right, but it’s poised for massive success.

Jessica Apotheker: And if you look at the pace at which new platforms have been adopted in the past ten years, that pace is exponential. It took many years for Facebook to be a household platform that everybody was using. It took TikTok one year to reach a scaled level. And if you think of another platform, that is, Chat GPT, it took it just a couple of weeks to be used by people around the world. As these platforms emerged, there’s a question of, "How set are we technologically?"

And there we’re very much at the onset of what Web3 and blockchain-based internet can actually offer. In terms of adoption, as soon as the platform is there, it gets adopted very, very fast, and we have an incredible opportunity with this technology to shape it as a diverse and inclusive industry from day one.

And so, I think what that implies is, first of all, if you are a platform-builder today, how do you think of responsible usage of your platform and responsible technology in the way you build it? How do we ensure that when you are offered an avatar, it is not by default a white male? How do we ensure that the offering around that avatar is also inclusive and is going to drive a diverse population? And how do we ensure that the people that are working within these platforms are diverse so that we can end up with a very inclusive space?

Georgie Frost: Why do companies need, Akbar, a metaverse strategy? Indeed, do they need one?

Akbar Hamid: They absolutely do, because if you think about the different evolutions we’ve had, you touched on in the beginning, right? The internet, age of email, e-commerce, we were all scared. Are we actually going to get the items? We’re throwing the money into this abyss. This is the future of consumer engagement and community engagement in every single way.

NYX Cosmetics and L’Oreal brought the first Metaverse Pride together last June along with people of Crypto Lab. There’s a million different reasons why this is so incredible, from the social impact to the commercial impacts. But to me, the most important thing is it’s a brand leading through authentic vision and mission with their values first and not product first.

And this is a shift we’re seeing in gaming worlds and virtual worlds and Web3, is we’re starting to see brands not think about, “How do I immediately sell my product and push it onto my community, but “how do I show them what I stand for?” And by that, they then go into the retailer I sell, in Walmart, for example, with NYX, and choose to buy my product because it stands for the mission and vision they stand for.

When NYX did that, we didn't showcase any products in Metaverse Pride. It was about the fact that makeup has no gender, our avatars were non-binary. It was about a safe space because metaverse is global, so anyone in the world…and universal.

Of course limitations with internet and computer, but if you have internet and computer, you can access the space. We had people from around the world where it’s illegal to perhaps be gay or LGBTQ and come in and say for the first time they felt represented and seen and could celebrate themselves.

Now, that, to me, is insane power for a brand, but also for the world to effect change. I think it’s really important. What Jessica was saying is we’re going to see a shift in the way brands are marketing and there’s going to be a lot more purpose-driven marketing engagements.
Georgie Frost: Why does the metaverse make this any different? Surely, Jessica, we’re seeing companies, however they are marketing their products, take a more value-driven stance, so what’s the metaverse got to do with it?

Jessica Apotheker: They have, but if you think of the reality of a platform, a platform dictates a lot of the values that you are actually exposed to. If you think of your own experience on Facebook or on any other platform, it is actually the AI of the platform that decides what you are exposed to.

And so, if you are in an ecosystem of people that share values that are yours, this is what you will be exposed to much more massively. In that, the algorithm actually really encourages bias. If I take my own Facebook, I always say that I take my husband’s Facebook. My Facebook is full of baby videos, very cute baby videos, but only baby videos, and I get served content on lactation and how to take care of children. My husband’s Facebook is full of technical, technological advances, medical science, very, very different things.

That’s the AI reinforcing bias. So if you think of technological platforms, actually, the way you think of inclusion, you think of values is to some extent embedded in the code of what you experience. So what we need is we need people that are coding to have a responsible AI framework, so that they think of responsible tech proactively and don’t let the AI actually decide. But to be able to have these conversations, the people around the platform have to be inclusive and diverse.

Right now, if we look at Web3, 12% only of people that are coding, actually technical people, are women. By construct, the platforms will be more tailored towards men. If we want these platforms to be inclusive, they also have to have representation on the people that are shaping that. That’s really critical, in my mind.

Georgie Frost: With all that in mind, Akbar, walk me through how a company would design a good metaverse strategy. Does every company need one? We’re seeing some companies pull back investment in this area.

Akbar Hamid: I always say what we’re seeing right now is a slowdown but a speed-up. We’re seeing a slowdown in sort of the hype announcements and companies just jumping into it to jump into it, but we’re seeing a speed-up in innovation in AI. We’re seeing companies say, “How can we use this?” Not just for all the aspects Jessica is saying, but also for tools for building experiences in metaverse world.

It’s allowing access now for a brand that was maybe hesitant because they don’t have the budget for a builder or don’t know how to approach it, to perhaps use an AI tool to build a space that embodies what their brand is all about or build a game. They think there’s no one specific framework.

What we’ve seen in the near past is brands doing a multitude of things. They’re doing experiences in five different platforms and nothing is connected. So what we are advising brands now is you have to have a contiguous consumer journey that connects your e-commerce, connects your retail, connects your virtual experience, and connects your community.

Otherwise, why? Exactly as your question, why do it? Does it matter? Is it relevant? And some brands may not be ready and that’s okay too, and they should take their time.

Georgie Frost: You mentioned AI. Jessica, what is AI’s role in the future of the metaverse?

Jessica Apotheker: What is very unique in metaverse platforms today is that you are much less exposed to what I was saying earlier, that the AI chooses your experience for you. For the moment, as an individual, you actually decide what you do in the platform. It’s much more of a gamified, virtual immersion type of role. That being said, there will be layers of AI that will be embedded in many places that will be hidden.

When you start, for example, accessing an online shop on this platform and start exploring clothes for your avatar, different garments for your avatar, for sure, there will be a recommendation engine behind that will recommend the right things to you. That’s AI. If you think of you’re walking around in the metaverse and you’re exposed to a billboard, what image will show up on that billboard, that is AI.
driven. It’s going to be embedded in many places in the experience that you have.

That’s where, and being a member of BCG X, I’m constantly coding and involved in coding platforms. The question of, at what stage do you ask the AI to take the right decisions and what does it factor in? How much is it fully automated and the AI decides for itself, and how much does it need to check what it’s doing? Is something you can embed in the way you code a platform like that.

**Georgie Frost:** How far away are we from this being commonplace?

**Akbar Hamid:** I think a good five to ten years. I think there’s a lot of advancements that need to be made in the quality of digital items. Luxury brands are very hesitant. You see big houses like Chanel, Dior, they’re still exploring. They’re still looking because for them, the savoir faire, who they are as a *maison*, they don’t know how is that going to translate in a digital items. They’re playing with community led events and how do we engage and create, maybe do the authenticity tracking tools? But I think we’re still five to ten years away because we’re still developing the best technology. And also with the adoption, we’re seeing things like, as I mentioned earlier, Starbucks Odyssey and Nike onboard more mass communities, but we’re very far away from truly mass, very far. I think five to ten years, I would say.

**Georgie Frost:** Akbar, Jessica, thank you so much, and to you for listening. We’d love to know your thoughts. To get in contact, leave us message at thesowhat@BCG.com. And if you like this podcast, why not hit subscribe and leave a rating wherever you found us? It helps other people find us too.