



THE
**new
face**
OF MARKETING

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Con
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FOR TOMORROW



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CONSUMERS ARE
IMMERSED IN NEW
TECHNOLOGIES
– BUT ARE CMOs
VIRTUALLY LOST?

Creating new worlds for the customer

When IKEA's augmented reality (AR) app, IKEA Place, launched in 2017, users were able to see how the chair or sofa they were considering would look in their own homes. The application was able to realistically render true-to-scale 3D products with 98% accuracy, meaning less guesswork on the part of the purchaser and less chance of disappointment (and potentially a return) when the real furniture arrives.¹ Now, IKEA customers can design entire rooms with IKEA furniture and decor through its AR app, IKEA Studio.²

Impressive though they are, however, such tools do not even scratch the surface of the possibilities imagined by the next generation of immersive-experience technologies.

Multiple brands are investing in technologies that will create an immersive world for the consumer to explore. Immersive experiences need not be only AR; they can be used to pull the consumer into another world — real or imagined, reassuringly familiar or stimulatingly new — enabling them to manipulate and interact with their environment, configuring it to suit their taste, and engage with purpose or pleasure. The journey should be sensorially thrilling and engaging, driving interaction with the brand on a personal level.

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Immersive experiences need not be only AR; they can be used to pull the consumer into another world — real or imagined, reassuringly familiar or stimulatingly new — enabling them to manipulate and interact with their environment.”

1 Architect Magazine, “IKEA launches Augmented Reality application,” September 21, 2017.

2 Wired, “IKEA's Revamped AR App Lets You Design Entire Rooms,” April 2021.

Why all the interest in immersive experiences?

Immersive technology, particularly AR and virtual reality (VR), has been around for a surprisingly long time; the first VR head-mounted display system was invented over 50 years ago, in 1968. As the technology has advanced, interest in it as a commercial tool has grown.

Expansion of the gaming industry. Gaming has been a flagship industry for consumer interest in immersive experiences. As of 2021, it is estimated that 77% of millennials and 81% of Gen Z considered themselves “gamers.”³ The growing sophistication of VR equipment, coupled with decreasing costs, has seen exponential growth.

Gen Z, with an estimated spending power of more than \$300 billion, is particularly willing to try newer technologies and novel ways to shop online, such as livestream shopping (where the host interacts with customers in real time, preferred by 40% of Gen Z) and trying on clothes with AR (preferred by 24%).⁴ Today’s CMOs have an opportunity to reach out to this large and influential demographic through a medium they have grown up with.



³ Newzoo, Gamer Consumer Research Study 2021.

⁴ CGS, “Gen Z leads changing consumer shopping habits, motivations,” August 2021.

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Increased brand engagement. Immersive technology and the metaverse will allow brands to reach audiences of millions with fewer scaling costs. For example, virtual pop concerts staged in Fortnite, an online game, can draw more than 10 million viewers, an unthinkable figure in the physical world. In March 2022, the first metaverse fashion week was organized by the Decentraland platform featuring high-profile brands such as Forever 21, DKNY, and Estée Lauder.⁵ Similarly, Hyundai Motors launched Mobility Adventure, a metaverse space on the Roblox gaming platform, where users can look at Hyundai products, interact with other gamers, and experience Hyundai's future mobility solutions.⁶

Monetizing the immersive. In 2020 consumers spent nearly \$54 billion on virtual goods, skins for their avatars, and extra character lives in gameplay.⁷ This is more than the total spent at the box office for movies or on purchasing recorded music. Gamers are a readymade consumer demographic primed and eager to purchase through immersive platforms. In the US, 19% of adult PC gamers purchase virtual goods on a daily basis and 38% of console gamers purchase at least once a week.⁸



CMOs can look to immersive experiences as a way by which to diversify existing revenue streams, with the metaverse opening up new channels for brands."



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5 The Wall Street Journal, "Metaverse fashion week draws big brands, start-ups," March 24, 2022.

6 Hyundai, "Hyundai motor vitalizes future mobility in Roblox metaverse space, Hyundai Mobility Adventure," September 2021.

7 MatthewBall.vc, "Payments, payment rails, and blockchains, and the metaverse," June 2021.

8 Statista, "Frequency of purchasing virtual or digital goods among gamers in the United States as of April 2021."

Across all consumer groups, early research has shown that 70% of consumers who visited a virtual store have made a purchase.⁹ In the metaverse, brands can either sell digital wearables or convert their physical items into non-fungible tokens (NFTs; non-replicable units of data stored on a blockchain, a form of digital ledger, that can be sold and traded). CMOs can look to immersive experiences as a way by which to diversify existing revenue streams, with the metaverse opening up new channels for brands. Advanced CMOs have a multichannel approach selling products and services, simultaneously, in the virtual and the real world.

Early adopters are already getting their hands dirty

It would be remiss not to mention Facebook’s rebranding as Meta, which has boosted interest in the metaverse and the virtual worlds it contains. While several virtual realities have appeared over the years, including the popular Second Life, which still has over 1 million active users every month, the prospect of a global giant like Facebook dipping more than its toes in the immersive is inevitably driving up interest levels.¹⁰

While this kind of hype around the metaverse has naturally driven a lot of brands towards it, a few have really taken the immersive concept to heart. Forever 21 and Nike have already created full-fledged virtual stores.¹¹ Unveiled at Decentraland Fashion Week, Forever 21’s online store covers.

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⁹ Obsessar, “The metaverse mindset: Consumer shopping insights.” <https://obsessar.com/metaverse-consumer-survey/> accessed on March 25, 2022.

¹⁰ Ars Technica, “Even in the metaverse, you can’t escape the taxman,” March 2022.

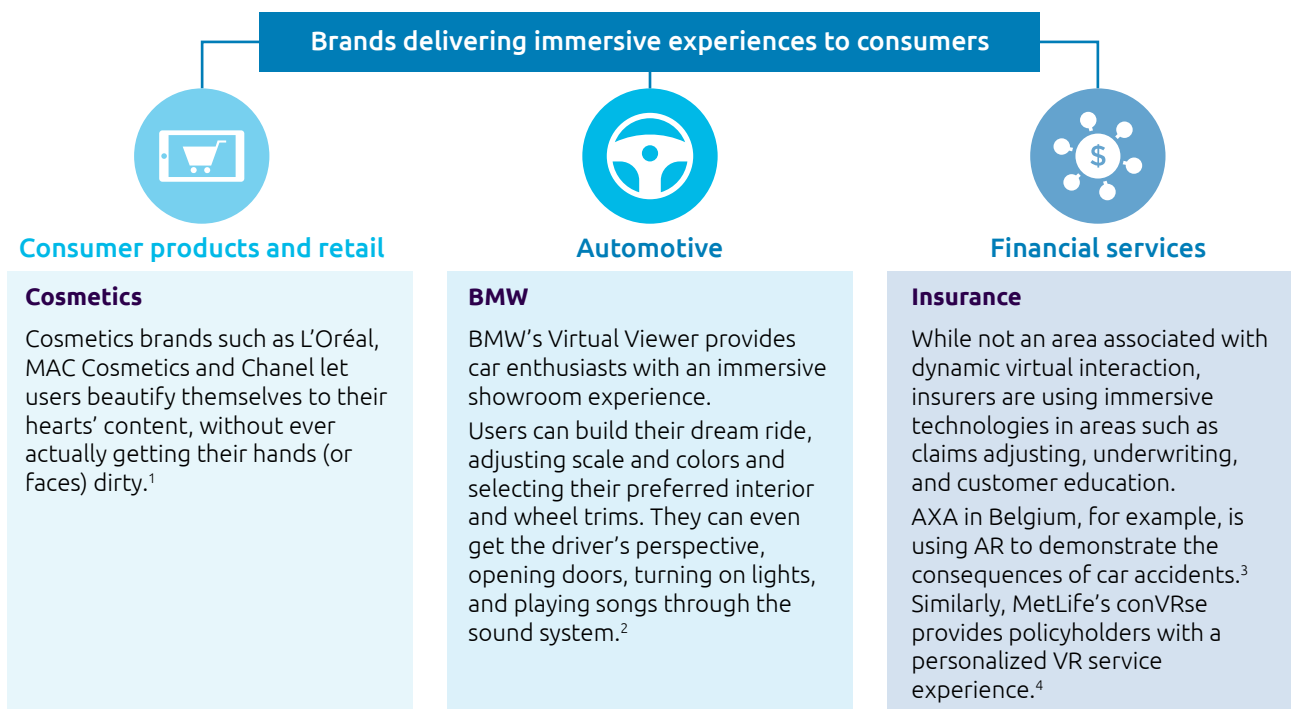
¹¹ FT, “Retailers seek real-world profits in the metaverse,” February 23, 2022.

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450,000 “virtual” sq ft with digital avatars acting as store associates.¹² Since it opened less than six months ago, Nike’s metaverse store, Nikeland, has been visited by nearly 7 million people from over 200 countries. Built in the Roblox platform, users can try on virtual products, play games such as dodgeball, and even interact with celebrities such as basketball star LeBron James.¹³

Some organizations have already begun to see the real-world impact of their initiatives in the metaverse. Forever 21 sells a virtual black beanie hat that can be purchased with Robux, an in-game currency of the Roblox platform. Interest in this product has led to the launch of a physical version, playing on the concept of consumers “twinning” with their avatars.¹⁴

Figure 2: Below are some of the most striking examples of early immersive adoption:



Sources:

1. Harper’s Bazaar, “The 7 best virtual makeover tools,” February 2021.
2. Next Reality, “BMW opens augmented reality showroom for plug-in hybrids on the web via 8th Wall,” April 2022.
3. Aite Novarica, “The rise of Augmented Reality in insurance,” February 2021.
4. The Digital Insurer, “conVRse – A Virtual Reality enabled customer service platform by PNB Metlife,” May 2017.

12 Business Wire, “Tokens.com partners with Forever 21 for metaverse storefront,” March 24, 2022.

13 The Drum, “Nearly 7 million people have visited Nike’s metaverse store,” March 22, 2022.

14 OI Canadian, “Metaverse: the Nike and Forever 21 method to earn real money in the virtual world,” February 15, 2022.

Consistency is key

While brands are keen for their stars to shine in the metaverse, they need to keep their feet on the ground in terms of maintaining alignment with their real-world offerings. It is important for brands to ensure they have a consistent tone and identity across all platforms. Customers subconsciously rely on this consistency as an indicator of quality, making it a key builder of trust and a deciding factor for most (81%) when considering a purchase.¹⁵

Trust is also a key influencer in determining customer loyalty.¹⁶ For example, California footwear brand Vans specializes in skateboarding shoes and related apparel and sponsors surf, snowboarding, and motocross teams. Its real-life California skatepark has been translated to its Vans World metaverse presence, where skateboarders can practice their skills as well as trying on and purchasing Vans gear.¹⁷ This kind of (real-life and virtual) commitment to the target market encourages connection, identification and trust between the brand and its consumer base.

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¹⁵ Edelman, “Only one-third of consumers trust most of the brands they buy,” June 2019.

¹⁶ Caggemini Research Institute, “Loyalty deciphered: How emotions drive genuine engagement,” December 2017.

¹⁷ The Drum, “Vans channels metaverse trend to build skateboarding world in Roblox,” September 21, 2021.

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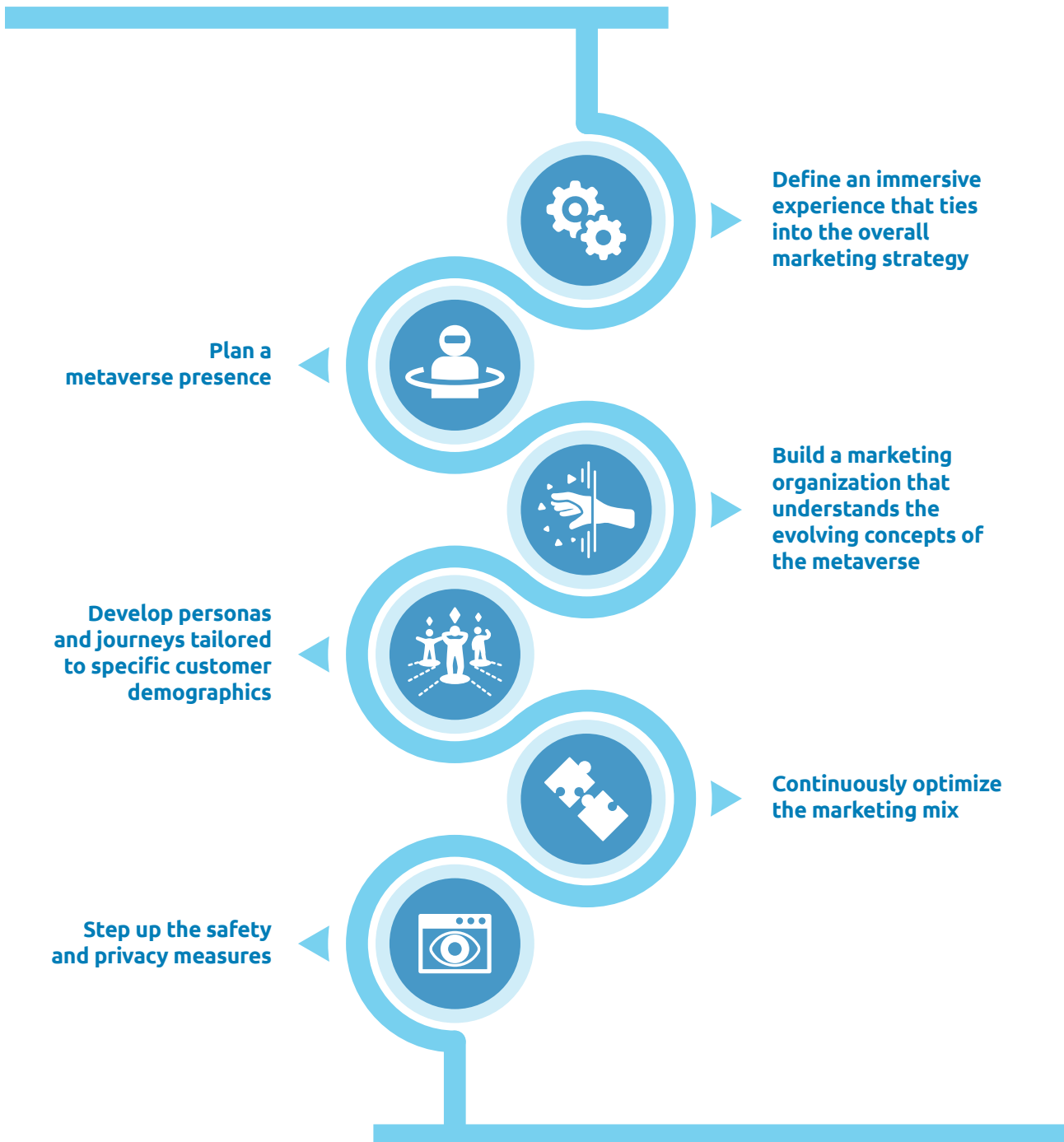
Equally, it is important – and potentially highly rewarding – for brands to own their identities in the emerging metaverse. Quick service restaurant Wendy’s ran a “Keep Fortnite Fresh” campaign, in which it sent a mascot into a Fortnite video game to “kill” all the freezers in the game’s Food Fight mode, reinforcing Wendy’s “fresh, never frozen” positioning. The freezer-smashing was live-streamed on Twitch, which in turn mobilized thousands of gamers to join in the destruction. The advertorial effects were startling: the stream amassed a viewing time of more than 1.5 million minutes, while mentions of Wendy’s increased by 119% across social platforms.¹⁸

What should CMOs do?

Immersive experiences and the metaverse provide a unique opportunity for marketers to engage with customers – current, past, and prospective – in a direct, personal way. These technologies help the brand relate directly to the customer in a way that other platforms simply cannot offer. However, before embarking on this connection-building journey, it is important that CMOs gain a clear view of who their customers are and their desired emotional outcomes. Specifically, CMOs should:

¹⁸ The Drum, “How Wendy’s and VMLY&R reached the adblock generation by smashing freezers in Fortnite,” November 2019.

Figure 3: Steps for CMOs to effectively leverage the metaverse opportunity



Sources: Capgemini

- **Define an immersive experience that ties into the overall marketing strategy.** Alignment and consistency across the various channels is crucial to building a trusted relationship. Decide if you want to use the immersive space to feature your products, engage your customers, educate them, or to boost your sales
- **Plan a metaverse presence.** While early adopters have launched virtual stores or virtual games, beginners can start with participation in metaverse events or establishing partnerships with metaverse players such as Roblox and Decentraland. Simple NFT collections, one-off virtual events in the metaverse without a clear strategy, or simply moving the current physical experience into the VR space is not going to create a lasting impact.
- **Build a marketing organization that understands the evolving concepts of the metaverse.** The skills required to market it will evolve and become more defined and CMOs should be prepared to build and scale the diverse teams and partnerships they will need. Creating virtual stores or launching NFT editions may be how the brand wants to proceed and this would need a team that is familiar with the mechanics. Similarly, while your social media marketing may turn to Roblox or Fortnite, content marketing needs to step up in order to drive interactive experiences.
- **Develop personas and journeys tailored to specific customer demographics.** You should truly understand who your customers are, their behaviors, and how they want to engage with the brand. For instance, is a certain demographic more prone to buying virtual goods for their digital avatars? And which part of the buying cycle is more conducive for the metaverse/immersive experience?
- **Continuously optimize the marketing mix.** As the organizational capabilities evolve along with the immersive experiences and metaverse ecosystem, companies need to continuously optimize their marketing mix across various channels for the best ROI. Continue to analyze data from the immersive and metaverse campaigns.
- **Step up the safety and privacy measures.** As the avenues for online transactions and engagement increase, it is important for companies to actively take steps to protect their consumers from fraud.

¹⁹ Vogue Business, "Gucci CEO Bizzarri talks metaverse strategy and why it's 'already a real place for us,'" March 28, 2022.

It's up to the CMO to guide marketing through the exciting process of positioning a brand using new-age immersive technologies. One way to start is to make the marketing teams experiment with the technology. Familiarity with the tech helps them understand the consumer's perspective and brings them up to speed while also acting as a testing ground for the technology itself. Letting the broader organization, and not just the marketing teams, test the technology will help in delivering the best immersive experiences. In doing this, it is important not to lose sight of the larger significance of this move into new, technology-led realities. As the CEO of Gucci, Marco Bizzarri, points out: "Anyone who says Web 3.0 is a pretext to sell digital sneakers misses the point."³⁷

The opportunity is to engage with customers in a much more intimate way, allowing them to curate their own consumer experiences by providing them with all the tools they need to do so – and, as any CMO worth the title knows, taking notes while you watch them.



