Advertising in the Metaverse: Opportunities and Challenges

Bassant Eyada

1 City University Ajman, United Arab Emirates

Correspondence: Bassant Eyada, Associate Professor, City University Ajman, United Arab Emirates. E-mail: bassant.eyada@gmail.com

Received: December 1, 2022     Accepted: January 5, 2023     Online Published: January 15, 2023
doi:10.5539/ijms.v15n1p22       URL: https://doi.org/10.5539/ijms.v15n1p22

Abstract

With the continuous upsurge of virtual and augmented reality, technology is seen precipitously evolving introducing new innovations that would have been formerly unbelievable. One of these innovations is the metaverse, a distinctive and immersive virtual world, a network of 3D virtual environments resided by avatars of actual people that focuses on social connections. This virtual world would continue to evolve and develop based on consumers’ choices and interactions within this space, synchronized with the real world that has no end. The metaverse can be described as an indefinite universe that continues to swell as more and more users are involved, merging reality and virtuality in one.

In the field of digital advertising and marketing, advertising agencies and strategists need to keep up with the speed of the latest artificial intelligence developments, with a full understanding of the metaverse and its potential. Keeping in mind the main target audiences, Gen Z and millennials, as they have been already spending time in virtual worlds and participating in a range of metaverse behaviors through virtual games such as Roblox, and other virtual reality technologies. This research aims to explore the potential of advertising within the metaverse universe, the challenges it would face, the virtual strategies that can tie in with the real world, and how brands can forge their own virtual pathways in relation to consumer behavior.

Keywords: advertising, metaverse, artificial intelligence, virtual reality, consumer behavior

1. Introduction

Understanding the Metaverse

The metaverse is a hypothetical iteration of the internet as a single, universal, and immersive virtual world that is facilitated by the use of virtual reality and augmented reality headsets (O’Brian, Matt, Chan, & Kelvin, 2021). The term “metaverse” had been originated by the American writer Neal Stephenson in the 1992 science fiction novel Snow Crash (Zenou, 2022). The awareness of this term surged in October 2021 as Facebook rebranded itself as “Meta”, when CEO Mark Zuckerberg released a video stating that the metaverse is the next chapter for the internet. The metaverse refers to an open digitally enhanced 3D world where users can play, work, and socialize, requiring users to have virtual identities through a personalized avatar. In this world, users are provided with ownership over virtual items such as land, artwork, products, in a virtual economy with their own currency. The metaverse platforms are divided into centralized and decentralized, the centralized metaverses are owned by business entities, which imply that all data and assets users own are also controlled by this entity, while decentralized metaverses are not owned by a particular business entity, hence, users can interact with it through a public blockchain wallet (Roman, 2022).

Video games such as Fortnite, Roblox, The Sandbox, Minecraft and Decentraland are best examples of what the metaverse world looks like. These games are open-world virtual environments where users enter through a customized avatar and interact with other users in real-time and can purchase different products and items such as clothing, land, weapons etc. using blockchain wallets and currencies such as Robux and V-Bucks that are obtained by using real money. In the metaverse, however, users will actually own their personal products by using Non-Fungible Tokens (NFTs) known as cryptographic assets on a blockchain with unique identification codes and metadata that distinguish them from each other, unlike cryptocurrencies, NFTs cannot be replicated, traded or exchanged (Sharma, 2022). Users will be able to use their NFTs across other metaverses as long as they run on the same blockchain. Certain brands have been using these metaverse platforms to connect, create and share experiences with the users, Nike for example has created its Nikeland on the Roblox platform, a virtual...
space based on Nike’s real-life headquarters. More branding and advertising opportunities are suspected where prevalent NFTs will be marketed in the metaverse.

Several industries are currently benefitting from the metaverse, such as retail and fashion. As virtual and augmented reality have already reshaped the way consumers shop online, creating a unique virtual shopping experience as consumers can browse fashion catalogues and try on items, the metaverse will take the experience to a higher level and allow consumers to virtually walk-through shopping stores, select and purchase, all at the comfort of their own homes. Another important industry is the education sector, as the metaverse will allow learners from all over the world to access educational content without the need for the physical infrastructure, an experience that may solve the geographical, social, cultural, and economic constraints. In March 2022, The University of South Korea hosted its student entrance ceremony virtually in Minecraft, to avoid Covid-19 restrictions (Knox, 2022). The Minecraft Education Edition was also created, a Minecraft version designed for education in a classroom setting where educators teach, communicate, and collaborate with their students. In September 2022, Minecraft Education teamed up with BBC Earth to create a virtual learning experience accompanied by lesson schemes for teachers to educate their students on climate change as part of the educational curriculum (Middler, 2022).

In the hospitality sector, global chain hotels Hilton uses virtual reality technology to enhance their employee’s development through the metaverse and uses the Oculus to develop their hospitality skills in the immersive virtual environment that simulates the real world. Real Estate businesses are also getting involved in the metaverse, where virtual real estate properties are being purchased. Buyers control and populate it with interactive events, concerts, 3D items, games, and an arena to sell assets. The MetaReal Mansion is a real-life house in Miami which has an identical mansion in the metaverse, expected to be listed for auction in 2023, which means that the landlord will gain ownership rights to this NFT asset. The metaverse allows people to buy houses to become neighbors of their favorite celebrities, where they have the privilege of meeting them in this virtual world. Industry experts predict that the metaverse could be worth 80 billion dollars by end of 2024, due to the buy-in from huge tech organizations such as Microsoft, Facebook, Google, and Apple, which is expected to largely impact the digital economy (Hetler, 2022), businesses and brands will try to leverage the metaverse to impact both the physical and the digital world.

2. Methodology

This research follows the descriptive approach to explore the concept of the metaverse, the potential of advertising within the metaverse universe, the challenges it would face. The research explores the virtual strategies that can tie in with the real world and how brands can forge their own virtual pathways in relation to consumer behavior, to provide recommendations for future research and set strategies that would empower advertising and brands to engage in this immersive world.

3. Literature Review

3.1 Marketing in the Metaverse

Many leading tech firms are jumping on the metaverse trend. Nvidia Omniverse, Facebook Horizon, Microsoft’s enterprise metaverse, for example, are leading the wave. Consumer brands such as Gucci and Coca-Cola are selling their NFTs in metaverse platforms, such as Decentraland (Kim, 2021). The biggest known metaverses, Roblox and Fortnite, offer brands opportunities that were previously unachievable. Vans for example, created its virtual skatepark in Roblox, where players can earn points and redeem them in the virtual store to customize their avatar, a marketing strategy to build brand awareness among their target audience of 13 to 35 years old. In March 2021, Gucci released their exclusive digital sneakers named as The Gucci Virtual 25, which can be purchased and worn in augmented reality, selling the pair for 12.99 dollars on the metaverse platforms. In May 2021, Gucci created the Gucci Garden in Roblox, a virtual interactive experience that reimagines fifteen advertising campaigns from the Italian fashion designer Alessandro Michele’s tenure as Gucci’s creative director.

Decentraland organized the first ever metaverse fashion week in March 2022, which lasted for five days. Brands such as Tommy Hilfiger, Dolce and Gabbana, Frank Muller, and Cavalli had attended. Tommy Hilfiger partnered with the metaverse marketplace Boson Portal, where consumers can purchase items as NFT assets, and redeem them for physical products that are delivered to the consumers in real life. An online survey that was conducted in March 2021 in the US, revealed that NFTs related to fashion were of most interest among females. Nike potentially changed its marketing strategy by owning a patent called CryptoKicks, which pairs a NFT with a physical shoe release (Best, 2021). To strengthen their presence in the metaverse, in December 2021, Nike announced its purchase to the digital collectibles company “RTFKT studios” allowing the brand to sell their
virtual shoes as digital products for their consumers’ avatars, every time a consumer buys a pair of Nike shoes, they receive one of these NFTs (Marquart, 2022).

As shown in Figure 1, one of the best examples of metaverse marketing was a campaign held by Coca-Cola. To celebrate International Friendship Day on the Decentraland platform, the brand developed a sequence of virtual products as their first NFTs, where it auctioned virtual vestures inside its “Friendship Box” which itself is an NFT packaged as a loot box. The box includes a friendship card, a signature bubble jacket, and a sound visualizer. The auction was held on OpenSea, one of the largest digital marketplaces for crypto collectibles and NFTs.

![Image of Coca-Cola Friendship Loot Box NFT](https://opensea.io/assets/ethereum/0x455fe99e9660e857a1f2b0d2fa1)

**Figure 1. The Coca-Cola Friendship Loot Box NFT**

Source: Retrieved from https://opensea.io/assets/ethereum/0x455fe99e9660e857a1f2b0d2fa1

The integration of metaverse marketing and real-life marketing can be seen through the strategy of the luxurious fashion brand Balenciaga. On the Fortnite platform, as shown in Figure 2, Balenciaga released a line of four Fortnite skins, a designer pickaxe, accessories, and a backpack. They also developed a Balenciaga Hub which includes a virtual store where users can buy cosmetic products, and the brand offers a physical clothing line to go along with it. In the Fortnite world, Balenciaga showcases an animated billboard, as it placed the same billboard in real life in Tokyo, New York, and London.


**Figure 2. The Balenciaga Billboard, New York**

Based on the above examples, brands in the metaverse have followed five key virtual marketing strategies:

1) **Broadcast marketing**: brands work on increasing their brand awareness by creating large virtual live events. As seen for example with The Metaverse Fashion Week, where huge brands participated in the five-day event.

2) **Engagement marketing**: brands work on creating virtual communities to drive consumer engagement. According to the survey conducted by Mckinsey on more than 3400 consumers, it reported that two thirds of the consumers are transitioning their daily activities that involves connecting with people and collaborating with friends and colleagues to the metaverse, and 79% of the consumers have already purchased items in the metaverse (https://www.mckinsey.com/about-us/new-at-mckinsey-blog).

3) **Advocate marketing**: brands engage consumers with exclusive offers. Based on a survey conducted by Clarus Commerce in the US, 31% of the consumers are more interested to shop at virtual stores, and 45% are more motivated to visit a brand in the metaverse to receive offers and discounts (Kates, 2022).

4) **Gamify marketing**: brands are evolving up into revolutionary ways to engage consumers and increase interaction through gamified virtual experiences. With consumers engaging in games and interacting with brands there’s an opportunity for products to display their messages in a variety of ways. The Nike gamified virtual world Nikeland replicates the brand’s real-life headquarters which include buildings and arenas where users can compete in games. Through that, consumers create their avatars a dress them up in Nike products. This is a strategy that goes beyond the digital world and leads to the success of the brand in the real-life.

5) **Virtualized business marketing**: this involves brands creating virtual, rather than physical products or services. Unlike digitization where physical products are moving into the digital world, virtualization is the innovation of brand-new virtual products, creating entire virtual ecosystems and virtual industry. JP Morgan, the American Bank, has become the first bank to operate in the metaverse. Creating its “Onyx Lounge” on Decentraland, it allows consumers to transact, socialize, own NFTs, and experience virtual events.

### 3.2 Branding Strategies for the Metaverse

The metaverse allows brands to engage with consumers in diverse ways to stand out amongst their competitors, brands will endure to empower trade, engagement, and experience with their consumers. The metaverse offers a unique and unrestrained world for brands to test, acting as a new platform for marketing activation, and redefines the entire world brands operate within. A well-established brand in the real life can focus on sustaining its image in the metaverse by bolstering its message, expanding reach, and innovating new strategies to create brand loyalty. At its essence, any brand holds two fundamental responsibilities for their consumers, first is an accumulated value of trust that assures credibility, quality, and beliefs. The second is the self-expression, the brand communicates to their consumers how they wish to be precepted.

With the metaverse emphasizing a new level of brand image importance, brands must work on clearly defining their personality, core values, and stance. Parallel to that mind shift that occurred when brands started shifting from physical shopping to online shopping and e-commerce, branding in the metaverse demands a vital change in their tactics, and their ability to explore how their existing equities can be re-envisioned. Brands must consider working on creating an immersive and engaging community that offers a personalized experience to their consumers. Required to expand themselves to become conversational, multidimensional and multi sensorial through motion, sound, and touch, creating interactions to submerge their consumers and reward their visit to the metaverse. Luxurious brand, Louis Vuitton has entered the metaverse by launching the virtual game “Louis: The Game.” In this game, users can explore six different metaverse worlds while learning about LV’s history. Consumers earn virtual branded LV souvenirs and collect in-game NFTs, in a way that enriches consumer experience and connection to the brand.

Brands need to alter their strategies to create a strong brand image that reverberates with their consumers, some considerable strategies are:

1) **Understand consumer-brand interaction**: brands would invest their efforts in developing entrancing digital experiences through innovative strategies to improve brand value in the virtual world. A reimagined structure is required such as partnerships across businesses. For example, to build brand awareness among young generations, mainly Gen Z and Millennials, Gucci partnered with Roblox to create the Gucci Garden, a recreation of their real-life garden in Italy. Building a vigorous foundation and easing the transition of consumers would be a key strategy for brands.

2) **Embrace an authentic approach**: brands need to adopt an attitude that is appropriate for the metaverse platform they are existing within. An integration of the brand identity with the virtual world would generate and increase the emotional brand attachment with the consumers.
3) Behavioral economics: in the metaverse, consumers will opt to purchase products that are unique and rare, to elevate their status. As consumer behavior often diverges from the norms of economic theories, consumers do not seek to maximize but rather to satisfice. Brands need to adapt strategies that establish a deep connection with consumers that delivers value, community, and experience. As self-expression will have a substantial role in the branding strategy, brands must master the understanding of how consumers think, behave, and respond to these self-expression signals.

3.3 In-Metaverse Advertising

Virtual and digital advertising has already been existing, but if brands need to play a role in the metaverse a new approach would be required that prioritizes creativity and user experience. The development of advertising in gaming is yet considered at a very early stage. While many brands are seldom thinking about advertising in gaming, there are a few examples that can extend a vision of how advertising can work in the metaverse. One example is Air Jordan’s partnership with Fortnite, where players compete in tournaments to win the XI Cool Gray Sneakers, view branded videos and visit the Air Jordon Museum. This next-gen brand experience would require advertisers to shift their strategies to a more determined and immersive approach. The creative process of advertising and storytelling would need to become more dynamic to match this multidimensional environment (Plomion, 2022). Currently, the metaverse is an affordable destination for advertising, the prices are still quite low to run a campaign, making it a potentially profitable opportunity to target new audiences. Adopting new advertising strategies for targeting the relevant audience would be the key, with this fast-moving technology, traditional targeting strategies would not be efficient, and targeting the same audience based on past consumer behavior would make less sense. Advertising would need to follow challenging ways to reach the right consumers based on the content they are interacting with, known as contextual advertising. With his type of advertising, messages can reverberate with the environment the consumers are within, with mesmerizing creatives and immersive gaming experiences, advertising can deliver the value that consumers demand from brands. For example, a sports brand can advertise with digital billboards around the arena of a virtual football game. These billboards would allow the players to enter them and access virtual stores of the brand, where their avatars can try on their newly launched products.

When entering the metaverse, advertising should never disrupt the experience the consumers are going through, it is imperative that the advertising becomes part of the entertainment experience. Brands need to understand that the metaverse is more than just a digital platform, it is a place where consumers are drawn towards social interaction, and advertising needs to enhance these social interactions rather than interrupt it. As there are several decentralized metaverse spaces, advertising will need to work on more intelligent strategies, keeping in mind that these spaces are already receiving payments from their users, brands and advertising need to harness the power that is available by structuring and designing virtual communities that these consumers would want to spend time within, instead of just simply displaying billboards and banners. The creation of these virtual in-game communities would allow brands to accommodate the following:

1) Enhance brand value: brands would need to identify the skills they already have; assess the skills they need and the skills which they must acquire. Aiming to work with and learn from other brands including independent developers and creators that are already active on different metaverse platforms.

2) Adapt to shifting consumer behavior and purchase decisions: consumers tend to see brands in the metaverse as extremely innovative. Consumer behavior is currently adapting to new forms of content, consumption, and digital commerce (Narsa, 2022). Through the visible intersection between digital commerce and video games, the metaverse takes shopping to a higher level through virtual products, providing advertisers the chance to connect with the shifting behaviors of consumers. Brands would need to determine the balance between native advertising and in-game experiences and connect them to the real-world initiatives. A survey conducted by Obsess in 2022, a virtual store e-commerce platform located in New York, states that 70% of consumers who have visited a virtual store have made a purchase, 75% of Gen Z consumers have purchased a product through a video game, and 41% of Gen Z consumers suggested that brands should sell their products in the metaverse (Narsa, 2022).

As shown in Figure 3, according to YPulse’s The Metaverse Report, Gen Z and Millennials are already existing in the metaverse, making up approximately 60% of users (https://inlea.com/gen-z-and-the-metaverse/). These generations are more likely to spend time in the virtual world and participate in a range of metaverse performances, engaging in activities that place them within the digital reality.
Figure 3. YPulse Survey Data. The Metaverse Trend Report. January 2022


Based on the report, as shown in Figure 4, these consumers embrace brands that market themselves and sell their products inside the video games they play. The below data shows the consumer behavior and activities these generations would adopt in the future within the metaverse.
According to research conducted by Vice Media Group and Razorfish Agency in April 2022, 52% of Gen Z feel more like themselves in the metaverse than in real life (https://www.businesswire.com/news/home/20220419005232/en). This enables brands to empower this generation’s self-expression and create deeper brand loyalty. The research notes that Gen Z users think about the metaverse in a substantial way, allowing them to co-create a more idealized version of the world and are endowed in the way they interact with brands in this virtual reality. Brands would consider advertising in the metaverse as a strategic move to enhance the overall shopping experience for their consumers as well as work on customer expansion by building brand awareness in the metaverse and establishing partnership with other businesses within.

4. Recommendations

Based on the conducted research, recommendations have been concluded by the researcher for strategies of advertising in the metaverse:

1) Realistic brand placement: advertising needs to implement strategies that allows the brand to engage with the consumers without disrupting their video game experience. Billboards is considered an effective way of doing this. As billboards appear in real life, virtual billboards can enhance realism.

2) Contextual advertising: advertising would need to follow challenging ways to reach the right consumers based on the content they are interacting with. With his type of advertising, messages can reverberate with the environment the consumers are within, with mesmerizing creative and immersive gaming experiences, advertising can deliver the value that consumers demand from brands.

3) Create incentives to encourage real-life buying: replicate real life into the metaverse. The integration of
metaverse advertising and real-life advertising can be seen with several brands, such as through the strategy of the luxurious fashion brand Balenciaga. Additionally creating a virtual experience where users can win real life products and incorporating the brands’ real-life cause into the metaverse can increase brand awareness and engagement.

4) Advertise and sell virtual products: brands can advertise and sell virtual products, where users buy them for their avatars. Gucci released their exclusive digital sneakers named as The Gucci Virtual 25, which can be purchased and worn in augmented reality, selling the pair for 12.99 dollars on the metaverse platforms. Whereas Balenciaga sold virtual clothing, accessories, and weapons for avatars.

5) Create virtual venues: brands may consider opening a virtual store or advertise on virtual islands or in museums. Exhibits, tours, and try-ons are effective ways to get consumers to digitally interact with brands. This can increase sales and brand interaction.

6) Advergames: brands and products can use games as a form of advertising. In advergaming the presence of the brand is not secondary, which is different than advertising through billboards and banners within the game, the brand in the case of advergaming is the core of the game. Brands can customize the game and include its’ style and value. This form of advertising requires active participation from consumers, and brands can promote their products through integrating in-game advertising elements. This can result in an increase brand awareness and interaction.

7) Provide digital collectables: brands can reward players for purchasing to encourage more brand engagement.

5. Challenges and Future Research

The metaverse will have a game-changing impact on advertising strategies, how brands communicate with the consumers, how brands will augment their advertising spend, and how they will be reaching out to new consumers. It is imperative to understand how the metaverse will change the way marketing and advertising content is being created and distributed. Advertising campaigns will need to work on creating immersive experiences that would change the way consumers interact and engage with the brands. It is clear that the internet is still developing and progressing in which the metaverse is part of, making it clear that the metaverse will be acting as a major advertising platform. Yet, challenges need to be understood and dealt with. It is important for brands to be available on all metaverse platforms relevant to the brand value and personality, as well as the interests of the users. If a consumer expects to find a brand in a certain platform and does not, they will migrate to another competitor across a different channel. This is vital for brand recognition, interaction, loyalty, and overall accessibility. At the time being, with the metaverse still being relatively a new concept, the prices of advertising campaigns are still reasonable, and not all brands have yet entered this world, hence, forward thinking is a must for brands who wish to have the luxury of the first movers’ advantages. Brands that take the opportunity and time to discover the metaverse and how to advertise there will be well prepared for success as this new world continues to expand. Based on this study, the researcher recommends future research to include cross-cultural aspects of advertising in the metaverse, privacy and ethical issues of metaverse advertising, consumer expansion, and the impact of the metaverse on societal level.

References


https://opensea.io/assets/ethereum/0x455f04e9c54fffa699e9f6b1271e857a1f2bddd61

**Copyrights**

Copyright for this article is retained by the author, with first publication rights granted to the journal.
This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (http://creativecommons.org/licenses/by/4.0/).