

The metaverse offers challenges and possibilities for the future of the retail industry

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In 1968, American computer scientist Ivan Sutherland predicted the future of augmented and virtual reality with his concept of the [Ultimate Display](#). The Ultimate Display relied on [the kinetic depth effect](#) to create two-dimensional images that moved with its users, giving the illusion of a three-dimensional display.



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While the concept of [virtual reality](#) only focuses on the creation of three-dimensional environments, the [metaverse](#) – a term coined by Neal Stephenson in his 1992 book *Snow Crash* – is a much broader concept that surpasses this.

While no official definition of the metaverse truly exists, science and technology reporter [Matthew Sparkes provides a decent one](#). He defines the metaverse as "a shared online space that incorporates 3D graphics, either on a screen or in virtual reality".

Since the term was coined, the idea of the metaverse has remained more of a fictional concept than a scientific one. However, with technological advancements in recent years, the metaverse has become more tangible. Much of the recent hype happened after Mark Zuckerberg made the [announcement to rename the Facebook brand to Meta](#). Many retailers have since jumped aboard the metaverse train.

Nike [recently filed multiple trademarks](#) allowing it to create and sell Nike shoes and apparel virtually. [JP Morgan opened its first virtual bank branch](#). [Samsung recreated its New York City flagship store](#) in the virtual browser-based platform [Decentraland](#), where it is launching new products and creating events.

While many retailers are capitalising on the metaverse early, there is still uncertainty about whether the metaverse really is the future of retailing or whether it will be a short-lived fad.

Dispelling metaverse myths

Much of that uncertainty around the metaverse stems from confusion about the technology. While examining the top keyword associations related to the metaverse on Google Trends, I found "what is metaverse" and "metaverse meaning" to

be the top phrases customers searched for. To alleviate some of this confusion, it's important to dispel commonly held myths about the metaverse.

Myth 1: You need a VR headset to access the metaverse

While an optimal experience in the metaverse can be achieved through VR headsets, anyone can access the metaverse through their personal computers. For instance, customers can create their avatars and access the metaverse in Decentraland on screen without a VR headset.

{{image}}

Myth 2: The metaverse will replace real-life interactions

Rather than replacing existing modes of communication, the metaverse provides a more interactive mode of communication. New technologies [always bring about predictions of the end of physical interactions](#).

It's helpful to compare the metaverse with the rise of smartphones. Smartphones enhance communication by allowing people to interact with their social networks, but have not entirely replaced face-to-face interactions. The metaverse will be the same.

Myth 3: The metaverse is just for gaming

While gaming remains the dominant driver of user involvement with the metaverse ([97% of gaming executives](#) believe that gaming is the centre of the metaverse today), it's not the only activity people can take part in.

In a recent survey, McKinsey & Company [asked customers what their preferred activity on the metaverse would be](#) in the next five years. Shopping virtually ranked the highest, followed by attending [telehealth appointments](#) and virtual synchronous courses.



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Keeping expectations realistic

In its current form, the [metaverse lacks the technological infrastructure](#) to deliver on market expectations. It may be appropriate to compare the metaverse with the [dot-com bubble between 1995 and 2000](#) that was caused by speculation in internet-based businesses.

Similarly, there appears to be tremendous hype and expectations around what the technology can deliver in its current form. [A recent survey of 1,500 consumers](#) found that 51% of people expect customer service to be better in the metaverse, 32% expect less frustration and anxiety while dealing with customer service agents in the metaverse compared to phone interactions, and 27% expect interactions with metaverse virtual avatar assistants to be more effective than online chatbots.

While such expectations can appear reasonable, metaverse technology is still in its infancy stage, where the focus remains on developing infrastructure and processes for the future. The unrealistic expectations may potentially lead to a metaverse bubble as reality struggles to meet expectations.

Challenges for retailers

As with any emerging technology, retailers need to be prepared for challenges posed by the metaverse. Some of these

challenges include the following:

- **Data security and privacy:** With the novelty of metaverse technology and the wealth of personal data collected, the metaverse will be [an attractive target for cyber-hackers](#). New approaches and methods need to be considered for a safe metaverse that customers can trust.
- **Experienced talent:** Having the right talent that can create, manage and support experiences in the metaverse needs to be at the forefront of engaging with the technology. However, due to the novelty of the technology, finding such talent will be a challenge.
- **Regulations:** [With no clear jurisdictions and regulations in place](#), the safety of virtual spaces in the metaverse may be compromised and end up pushing customers away. Retailers need to ensure these spaces are safe and protected.
- **Managing customers' expectations:** Retailers need to educate their customers about what can currently be done in the metaverse, and what customers should expect from businesses in the metaverse.

Despite these challenges, retailers will still be able to craft novel shopping experiences in the metaverse – it will just require appropriately skilled and qualified people to make it happen. With appropriate planning and preparation, retailers will be able to meet these challenges head-on.



Retailer Game makes metaverse debut this Black Friday

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Opportunities for retailers

As technology improves, the potential uses of the metaverse for retailers will grow. At the moment, the metaverse offers retailers three key opportunities for improving the online shopping experience.

The first is brand exposure. Retailers can expand their presence through virtual billboards and interactive advertisements with less noise, compared to existing online and mobile channels. Cloud Nine, an IT services company, [is one of the earliest companies to advertise their services on virtual billboards in Decentraland](#). Virtual billboard advertising is something marketers should keep in mind.

Secondly, the metaverse offers unique experiences for customers to engage with brands through events, contests, and game-like features. Such experiences could increase loyalty and brand engagement. [The Metaverse Fashion Week](#) is an example of how retailers can create unique brand engagement opportunities. Retailers including Tommy Hilfiger, Perry Ellis and Dolce & Gabbana all participated in the pilot experience, leading the wave for immersive and unique customer-brand interactions.

Lastly, the metaverse provides retailers the chance to personalize customer experiences. Similar to how retailers can [customise customers' online experiences through data collection](#), retailers can tailor customer experiences in the virtual environment. In [Meta's Horizon Worlds](#), for example, users can create their own virtual worlds, invite friends and customise their own experiences.

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