Thinking about investing in the metaverse? Let history be your guide

By Mike Bechtel and Nelson Launer
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To plan how and when to jump into the metaverse, consider your use of existing web technologies

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You’ve heard enough about the metaverse to know what it is and how important it could become, but how and when do you plan your business’s first move?¹

When we consider the metaverse not as an unprecedented revolution but instead as an evolution of the web, we can hypothesize that companies’ present web strategies—their use of both Web 1.0 sites and Web 2.0 platforms—can be used as predictors of their future metaverse use. These use archetypes fall into three primary categories.

Promoters: Advertising existing offerings

Even though Web 2.0 is nearly 20 years old, most companies’ core offerings still exist outside the internet. Consider that e-commerce sales in 2021 accounted for only about 13% of total sales in the United States.² However, it’s still the rule, not the exception, that companies maintain an online presence, even if it’s one with limited functionality and flexibility. From plumbers to professional services firms, most businesses are expected to have basic web pages with information about their offerings.

Similarly, some companies will probably use the metaverse as a simple brochure for their products and services. For example, they might purchase ads in a virtual reality storefront or an augmented-reality–enabled billboard. Although they’ll have a metaverse presence for the sake of promotion, their core business models probably won’t change materially. If you’ve used Web 1.0 sites and Web 2.0 platforms for business promotion only, that’s probably how you’ll use the metaverse.

For these organizations, there’s less urgency to take immediate action. Companies in this group have the luxury of avoiding risk and uncertainty by waiting to see how the metaverse unfolds. They might delay investing until one or more metaverse platforms begin to command significant market share.

Plussers: Augmenting existing offerings

For others, the metaverse could provide an opportunity to “plus” today’s offerings in richer, more engaging, and more brand-enhancing ways. Consider the decrease in in-person retail sales during the COVID-19 pandemic.³ A few consumer brands began experimenting with metaverse storefronts,⁴ allowing consumers to recreate aspects of the in-person experience, yet they still depend on traditional e-commerce platforms to drive sales.

A portfolio of traditional web and emergent metaverse properties can work together to help these companies diversify their sales channels. Sales and business operations likely stand to be substantially altered but not completely metaverse-dependent.

Companies that already use social media to engage customers while relying on an e-commerce site as their primary go-to-market strategy are probably plussers and will likely approach the metaverse in a similar manner. They will have more urgency to act than businesses in the first group, but they still have the flexibility to wait and see how the metaverse unfolds.

Consider the enthusiastic dawn of Web 2.0, when some restaurants tried their hand at rich online experiences. As it turned out, restaurant-goers of that time only wanted hours of operation, a digital menu, and a to-go order form. Later, as technology and customer expectations evolved, restaurants successfully leveraged third-party platforms to “plus” their core businesses with to-go orders and meal deliveries. In that vein, as customer expectations become clearer, plussers will continue to cook up new ways to leverage the maturing metaverse to augment and enrich their core offerings.

Pioneers: Architecting new offerings

Pioneers see the metaverse as a newly open frontier to be settled. These are the risk takers, innovators, and builders who are already pouring billions of dollars into key foundational metaverse technologies, platforms, products, services, content, and other enabling components. Their first-mover inclination is in service of their goal: sustainable competitive advantage.

Businesses in this group could face a high degree of risk. According to one study, the yearly failure rate for dot-com companies averaged 14%, peaking at about 20%.⁵ But the same study showed that dot-com firms’ failure rates were on par historically with those from other emerging industries, suggesting that some risk is necessary to reap the rewards of being a successful first mover.

Bloomberg Intelligence expects the global metaverse revenue opportunity to approach US$800 billion by 2024.⁶ Competition for a piece of this pie is expected to be fierce,⁷ so startups and incumbents that are comfortable with the risk should probably already be making investment moves.

In determining your organization’s metaverse strategy, consider how your customers might be interacting online in 20 years. How might this consumer behavior intersect with your future business models and capabilities? By evaluating how your company evolved through the Web 1.0 and Web 2.0 eras, you may yield a pragmatic indicator as to when to consider ramping up your investment strategy.
Endnotes

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1. Jennifer Tonti and Jill Mizell, “95% of Black Americans agree that it’s important for companies to promote racial equity. 80% believe they can do more,” JUST Capital, April 1, 2021.

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4. According to the 2017 FDIC National Survey of Unbanked and Underbanked Households, “underbanked” are defined as those who have a checking or savings account and used one of the following products or services from an alternative financial services provider: money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans.

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1. This article and Deloitte Insights Magazine are independent publications and have not been authorized, sponsored, or otherwise approved by Apple Inc.

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2. Ibid.
3. Ibid.

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5. Steve Hatfield, Jen Fisher, and Paul Silverglate, The C-suite’s role in well-being:
Smart cities, smarter public health

5. United Nations, “68% of the world population projected to live in urban areas by 2050, says UN,” May 16, 2018.
10. Ibid.
11. Ibid.
15. Antunes, Barroca, and de Oliveira, Urban future with a purpose.
16. Ibid.
17. Ibid.
Investing in creative potential

1. An ecological approach is one that is focused on the relationship between the individual and the systems in which they act, a relationship that is seen as interdependent. Ecological psychology is an embedded, situated, and nonrepresentational approach pioneered by J. J. Gibson and E. J. Gibson.

2. The Four P’s framework — where creativity is framed as an emergent property of person, process, place (press in the original), and product — was first discussed in M. Rhodes, “An analysis of creativity,” The Phi Delta Kappan 42, no. 7 (1961): pp. 305–10.

3. Rhodes’s original article calls this setting “press” rather than “place,” the idea being that there are pressures (or influences) on our behaviors. While it’s true that the social and physical context we find ourselves in influences our creative behavior, it is also true that some of these influences are not necessarily environmental. Consequently, it is common for press to be replaced by place, as we have throughout this essay, as place is a more intuitive term; ibid.

4. A useful, and short, definition for innovation is “the economic exploitation of creativity.”


7. Problem-posing is a technique where an issue is framed and reframed to try and identify and define the core challenge. It is commonly used in both education pedagogy and design.

8. It’s for this reason that the 1978 Superman film has a long section at the start showing the challenges Clark Kent faces when trying to fit into society while having superpowers.


10. What we have referred to as “cognitive diversity” is often called “functional diversity” in the literature; ibid.

11. Thanks to Peter Williams—a charted accountant—for the analogy.

12. Traditionally, this has been approached through office-space design, from inspirational décor to collaborative tools such as stages, small auditoriums, and floor-to-ceiling whiteboards. But increasingly, place can be just as much virtual as physical as organizations invent new ways to collaborate digitally, perhaps even in the imagined metaverse of coming years.

13. The first report in this series, Unshackling the creative business, discussed how creativity in business is contingent, in that the creativity of one team depends on the creativity of others; see Peter Evans-Greenwood et al., Unshackling the creative business: Breaking the tradeoff between creativity and efficiency, Deloitte Insights, April 9, 2021.


15. The authors developed on “investment opportunity” in the previous essay in the series Setting the stage for creative performance. The intention with “investment opportunity” is to put creativity on an equal footing with efficiency in an organization’s operating model by creating a metric for creativity to balance cost–benefit; see Peter Evans-Greenwood et al., Setting the stage for creative performance: Improving creativity in business by measuring creativity, Deloitte Insights, October 29, 2021.


20. We might compare this to the Four-C Developmental Trajectory for creativity, which breaks the development of creativity into a journey from Mini-C (personal creativity) through Little-C (everyday creativity) and Pro-C (professional creativity) to Big-C (legendary creativity). See Ronald A. Beghetto, James C. Kaufman, and John Baer, Teaching for Creativity in the Common Core Classroom (New York: Teachers College, Columbia University, 2014), pp. 21 and 27.

21. Such as a pandemic. Indeed, this series was triggered by the observation (toward the end of the first year of the pandemic) that many otherwise “creative” organizations struggled to respond creatively, while some organizations not particularly known for their creativity provided creative and innovative responses.

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Renewable transition: Separating perception from reality


7. For global cost decline, see International Renewable Energy Agency (IRENA), Renewable power generation costs in 2020, June 2021, p. 3; for US cost decline, see Mark Bolinger, Utility-scale wind and solar in the US: Comparitive trends in deployment, cost, performance, pricing, and market value, Electricity Markets and Policy Department at Lawrence Berkeley National Laboratory, December 8, 2020, p. 21.

8. Digitalization refers to applying information and communications technology to the electric grid. This may involve connecting smart meters, sensors, and other devices to monitor grid activity, analyzing the data collected, applying AI, and using software to manage, control, and automate operations.

9. IRENA, Renewable power generation costs in 2020, p. 11.


11. IRENA, Renewable power generation costs in 2020, p. 18.


13. IRENA, Renewable power generation costs in 2020, p. 18.


little or no increase in generation reserves (see American Clean Power Association, *AWEA US wind industry annual market report, year ending 2013, 2013*). MISO has been able to integrate huge amounts of wind without adding power plants to back up its renewable energy production, partly because MISO is a large balancing area with many different energy resources available (see Glen Anderson, “Integrating renewable energy,” National Conference of State Legislatures, June 20, 2016). The IEA could not be any clearer: No additional dispatchable capacity ever needs to be built because VRE is in the system. On the contrary, to the extent of the capacity credit of VRE, its addition to the system reduces the need for other capacity (see American Clean Power Association, “News roundup: A carbon-free Iowa energy boom, renewable integration is easy, wind and solar work together,” March 5, 2014).

17. Variable renewable energy (VRE) refers to utility-scale wind and solar resources as well as distributed solar PV. Distributed wind is also a VRE, but volumes are low, and data was not available for this analysis.


19. Ibid.


30. MISO, “Corporate fact sheet.”


32. Ibid.


35. California ISO, *Root cause analysis: Mid-August 2020 extreme heat wave*, January 13, 2021. While some have attributed California’s electricity supply shortages to VRE, the causes appear more related to demand surges from unprecedented multistate heat waves coinciding with wildfires that constrained transmission and triggered systemwide failures (for more details, see Ken Silverstein, “Green energy is not among the culprits behind California’s energy crisis,” *Forbes*, September 8, 2020). Nevertheless, California’s plans to prevent future shortages include accounting for the state’s changing generation mix.


48. Ibid.

49. Ibid.


65. Anmar Frangoul, “Renewable electricity generation is growing—but it’s not enough to meet rising demand, IEA says,” *CNBC*, July 15, 2021.


68. Edison Electric Institute, “The clean energy transformation: Electric companies are leading the way,” accessed May 10, 2022.


70. Deloitte analysis of data from S&P Global Market Intelligence.

71. Joseph Rand et al., *Queued up: Characteristics of power plants seeking transmission interconnection as of the end of 2020*, Lawrence Berkeley National Laboratory, May 2021, p. 3.


The end note: The shifting balance between health, safety, and financial concerns


2. Ibid.

3. Ibid.
We’re still in a dual-front crisis, according to the Deloitte Global State of the Consumer Tracker. However, after lagging behind for the better part of two years, financial stress is now overpowering health and safety concerns as the primary determinant of consumers’ decision-making by quite a strong margin.

Following omicron, global pandemic anxiety subsided dramatically among the 23,000 respondents across 23 countries who participated in our monthly consumer survey. Consumers’ perceived safety of doing everyday things like going to the store quickly reached two-year highs, and it continues to improve with each passing month. At the same time, record inflation continued unabated, exacerbated by geopolitical conflict. And with government stimulus programs no longer around to help consumers make ends meet, financial sentiment metrics have begun flashing warning signals. Globally, financial anxiety is high—as is concern around inflation, and consumers’ level of savings and credit card debt. In some countries, including the United States, China, and England, discretionary spending intentions are weakening.

In many ways, consumer businesses face similar challenges compared to early pandemic days. They still need the agility to respond to rapidly changing consumer behavior. And few can predict the extent of the financial headwinds that lie ahead.

Even as the pandemic gradually fades, many companies are finding that prepandemic financial and forecasting models no longer work. The “new normal” remains elusive.

The shifting balance between health, safety, and financial concerns

Some research and insights have a short shelf life, while others continue to gain color and context. In each issue of Deloitte Insights Magazine, we look back on research we published and ideas we pitched, and evaluate whether they’ve stood the test of time.

By Stephen Rogers
Managing director of Deloitte’s Consumer Industry Center

What we said then

“In the span of a few months, what started as a global health crisis morphed into an economic one as well. It’s been more than a century since the world has seen these two forces so intertwined. We do not expect to see a return to normal, or even a new normal, until total concern descends from its elevated level and financial concerns overtake those of immediate health and safety.”

In the throes of a dual-front crisis: Establishing the road to a global consumer recovery, Deloitte Insights, April 2020.

What we say now

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