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WEB 3.0, NFTs & the Metaverse: the future of marketing?

Web 3.0 and the Metaverse are often described as lying at the intersection between the real world, the social world and the virtual world, where users will be able to seamlessly switch between the three.

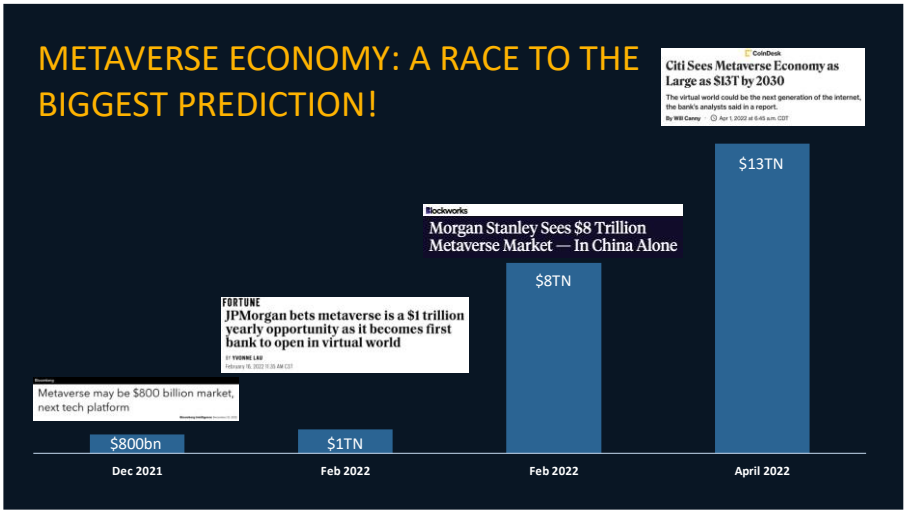
For now, the space is characterised and facilitated by non-fungible tokens (NFTs) and cryptocurrencies, virtual goods and VR/AR gaming and entertainment.

But is the Metaverse the future of marketing or is this another 'Second Life' bubble? This is precisely the question we asked David Jones, founder and CEO of the Brandtech Group, to present at our Policy Forum during the 2022 Global Marketer Week in Athens.

In this briefing, we will look at the five business cases why your marketers are eager to don their VR goggles, and the 13 reasons policy leads should have their fingers hovering over the "Pause Game" button.

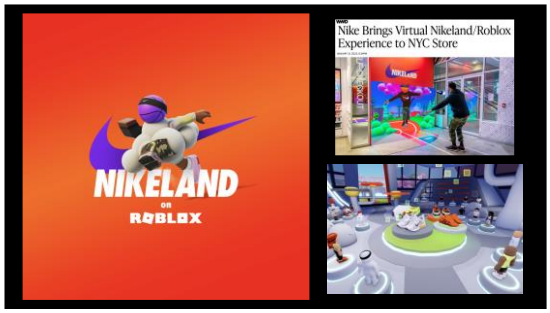
The business case for the Metaverse

#1 **The Metaverse is still evolving, but trillion-dollar companies are betting it's the future.** The ecosystem that grows around the metaverse will dictate whether it's just a few hundred million gamers sitting at home wearing VR headsets, or the most important technological revolution of the 21st century. However, there is a growing economy and consumer base out there to be exploited.



#2 **Gaming culture is driving culture.** With there expected to be over three billion gamers in the world in 2023, the biggest global cultural events now take place in the Metaverse. A recent Travis Scott concert in the gaming platform Fortnite, drew 12.3 million attendees!

#3 **Personal Identity is increasingly digital!** As people spend more and more time in the Metaverse, they increasingly identify with their digital avatars and are willing to spend currency to outfit them with accessories.



#4 **The Metaverse offers new opportunities to link brands' online and physical presences.** Brands can choose to create worlds and spaces that reflect their identity and values. Users can purchase a brands' NFTs that can be exchanged for physical goods.

#5 **Web 3.0 and the metaverse will drive brand purpose.** Brands can interact with their consumers in a way that organically harnesses their shared values.

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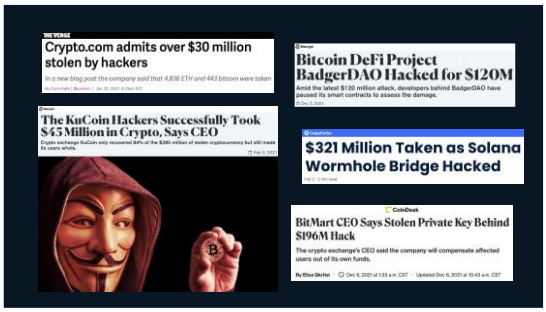
13 things policy leads will need to think about

#1 Security



Whilst cryptocurrencies and blockchain technologies offer the advantage of secure transactions, exchanges between different currencies can be intercepted, crypto-wallets can be hacked, and fraudulent sales are still possible. This is not yet a well-regulated space. In addition, the increasing use of the metaverse to host virtual meetings could be plagued by 'Avatar Identity Fraud'.

#2 Wallets and Chains

For brands to spend and receive cryptocurrency, they will have to acquire a cryptocurrency wallet. The choice of wallet is often dictated by the ledger or 'blockchain' technology the respective cryptocurrency uses. Additionally, each of these technologies lends themselves to different 'governance' methods.

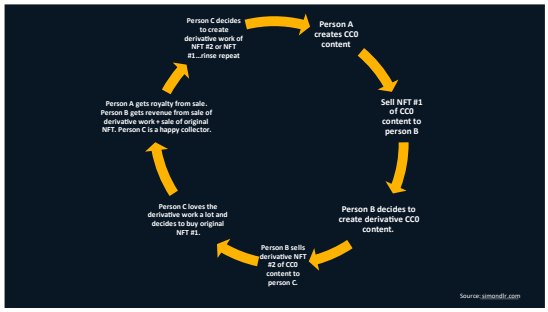
#3 Where to Play? Environments and Platforms?

There are a variety of metaverse experiences out there for brands to engage with: from games to community platforms, to VR experiences. Brands will have to make sure the experience and audience is a match with their brand identity.

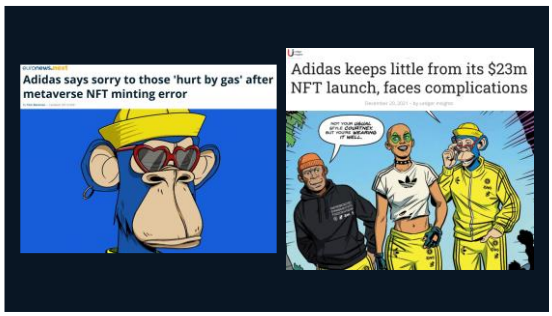
#4 IP, Trademarks and Patents

As a new developing marketplace, it remains to be seen how intellectual property law will apply to the web 3.0 or the extent to which it can be enforced ...

#5 Smart contracts, royalties and rights



... however, perhaps there is a new way of thinking about rights? Proponents of so-called 'Creative Commons Zero' (CC0) argue that smart contracts embedded in NFTs allow for wealth to be created for all collaborators as well as the original content creator. However, is your brand ready to 'sign over' control over its IP?



#6 Liability and Unintended Consequences

With cryptocurrencies and NFTs exchanging hands so quickly, there is ample room for human error leading to unintended consequences. Additionally, the decentralised nature of blockchain technologies leads to questions over liability if things go wrong.

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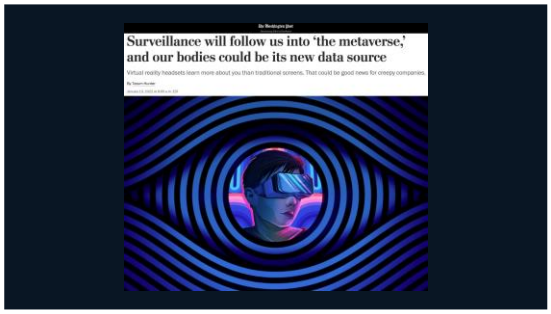
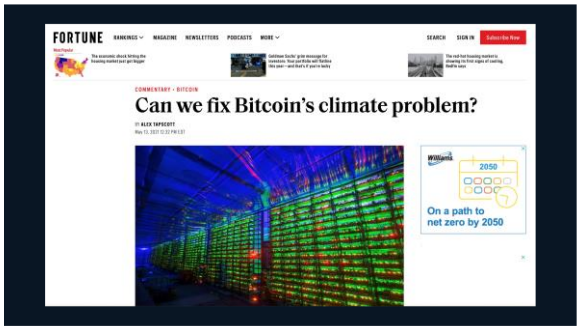
#7 Data and Privacy

VR headsets and the other plethora of emerging metaverse technologies will gather vast amounts of data on users' bodies – even tracking eye movements. This leads to questions of how this data will be regulated, or even whether old concepts of privacy are outdated?



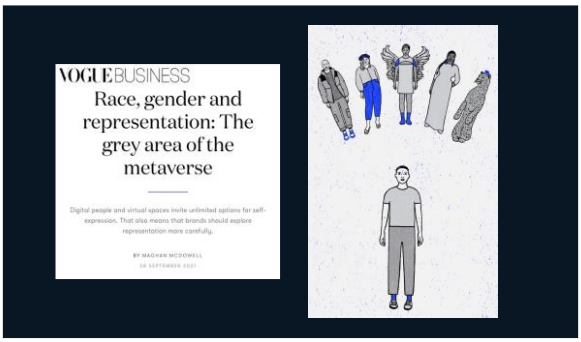


#8 Sustainability and ESG

Blockchain algorithms are computationally expensive and energy intensive. Whilst newer more efficient processing methods are emerging it is not clear to what extent this is compatible with the planet's race to net-zero.

#9 Accounting Standards and SEC?

Global accounting standards for crypto-holdings are still to be defined. This has led to national regulators, like the US Securities and Exchange Commission (SEC) to increasingly act over what they perceive as irregular activities.



#10 DEI & Responsibilities

Platforms continue to grapple with the issues of harassment and predatory behaviour in VR. Additionally, with virtual spaces allowing for unlimited expression of identity, brands need to rethink how they approach issues of representation. It is important to make sure that diverse views are represented in both the development of technologies and experiences.

#11 Partners, Standards and Who Vets them?

When anyone can be anyone, how do you vet your partners to make sure they share your values and conduct themselves in a way that reflects your brand?

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#12 Immutability

With the technology behind blockchain being based on the concept of an immutable decentralised ledger, the ghost of brands' actions in web 3.0 could haunt them forever — as could a third-parties negative contributions to your metaverse brand presence. Remember, there is no delete button on the blockchain!

#13 Oh, and it's all changing on a daily basis!

Perhaps the hardest thing about keeping abreast of the policy implications of the metaverse and web 3.0, is that it's still evolving. However, in many ways the future of marketing in the metaverse will be about intersectionality between brand's virtual, social and real-world presence.

Lexicon

Blockchain – *A blockchain, in essence, is a decentralised digital record: a permanent ledger stored on millions of machines across the internet. It's precisely this decentralised nature that makes this the key technology behind cryptocurrencies and other crypto-assets — the idea of security. There are different blockchain technologies, each with their own advantages and disadvantages. At it's most simple is the Bitcoin blockchain: this can only be edited to record units of currency that a user sends and where this sent to.*

NFTs – *Are unique digital identifiers or 'non-fungible tokens' — a type of digital certificate typically built or "minted" on the Ethereum blockchain. More sophisticated than the Bitcoin blockchain, Ethereum can be programmed to handle so-called "smart contracts", which can automate the execution of an agreement so that all participants can be immediately certain of the outcome, without any intermediary's involvement or time loss. In other words, you don't need to trust the other party!*

Because they are unique NFTs are typically used to point to digital content, such as artwork, using a publicly accessible address called a 'Unique Resource Identifier' (URI). However, NFTs do not themselves confer ownership over the intellectual property of said content, and how NFTs themselves interact with IP law is a thorny issue.

For more information on NFTs as well as the legal issues that surround them, please view the following helpful resources:

For more information, please contact Fraser Bridges (f.bridges@wfanet.org).