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Growth Marketing & Sales Practice

Unlocking commerce in the metaverse

Consumers already know what they want at the intersection of virtual and physical retail. It's up to companies to evolve their strategies to capture growth and long-term value.

This article is a collaborative effort by Courtney Buzzell, Zamir Lalji, Amanda Loyola, Kim Rants, Emily Scofield, and Stephan Zimmermann, representing views from McKinsey's E-Commerce Global Initiative.

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It's hard to escape the metaverse. The emerging virtual world is the driving force behind the internet's evolution, and consumers are increasingly seeking more immersive experiences and demanding the ability to interact with products and brands before making a purchase. That enthusiasm has the potential to drive $5 trillion in value creation by 2030,[1] and leading companies are actively experimenting with metaverse commerce in everything from home and food to fitness and apparel.

But do they really know what consumers want?

Our latest Metaverse Consumer Survey finds that while many metaverse initiatives are pushing the boundaries of technology, they often miss the mark with consumers (see sidebar, "About our research"). In fact, winning in the metaverse is often about meeting more mundane needs: providing consumers with value-added products and services they can use today, either separately or in combination with the physical world. Even in the virtual world, the key to driving metaverse product adoption and generating value is to engage target consumers with the use cases that interest them most.

What consumers want: Experiences grounded in reality

There's no question the metaverse commerce playbook is still being written. A quarter of executives believe more than 15 percent of company revenue will come from the metaverse in the next five years, and about 60 percent of consumers already using the metaverse prefer an immersive activity to a physical-world alternative.[2] We also see companies seeking to establish a foothold in the space by meeting consumers where they are—and where they may soon be.

But while about 60 percent of respondents to our survey had heard of the metaverse, they revealed nuances in how they approach the technology and their interest in products by category and use case.

— *Consumers appear less interested in more futuristic offerings.* Consumers are more willing to pay for product offerings that tie back to the physical world in some way than for those that are purely virtual. For example, in the fashion and beauty category and in the home category, consumers ranked virtual events and virtual homes in the bottom two use cases.

— *Consumers want real-world applicability.* They are also less excited about products or services in the metaverse that don't connect to their daily real-world activities. For example, about 30 percent of consumers attributed their lack of interest in fitness-specific use cases to a lack of interest in the same application in "real life." Instead, they favor use cases such as "at home try ons" that bridge the physical and the digital world.

We asked consumers which use cases they were most likely to try or pay for in the metaverse by retail category, from fashion and beauty to food and fitness. Across categories, consumers generally expressed greater interest in experiences and products that augment existing real-world experiences, even when they had to pay for them (Exhibit 1). While this may change with growing metaverse understanding, adoption, and technology, there's an immediate opportunity for companies to ease consumers into their metaverse offerings by connecting the physical and digital worlds.

About our research

Our research is based on the October 2022 Metaverse Consumer Survey, which tested consumer interest in a variety of metaverse use cases. We interviewed a representative sample of more than 1,000 US consumers aged 18 or older, screened on internet access and device ownership.

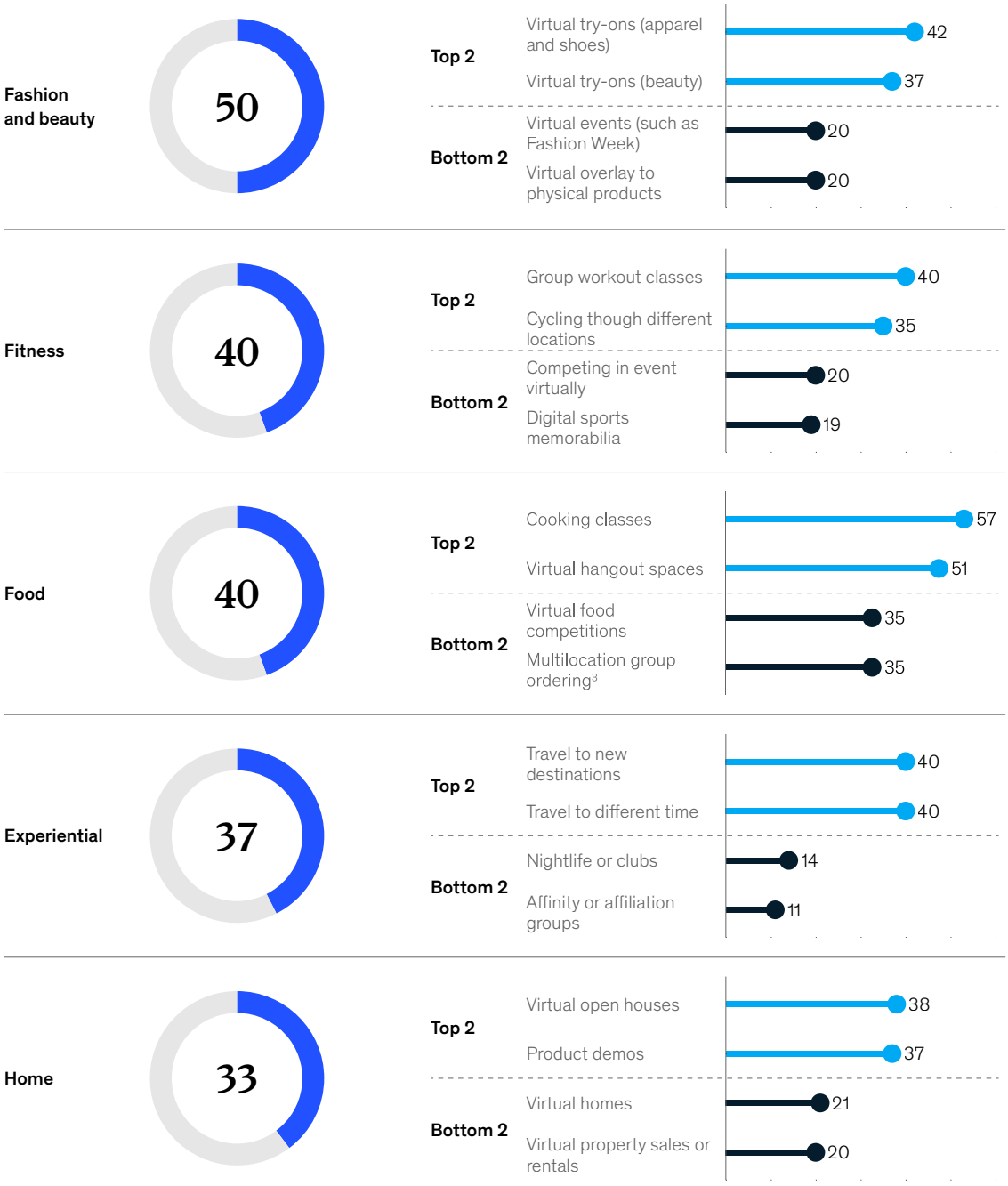
[1] *Value creation in the metaverse*, McKinsey, June 2022.
[2] "What is the metaverse—and what does it mean for business?," McKinsey, March 29, 2022.

Exhibit 1

Across categories, consumers want to keep it real.

Consumer virtual experience preferences by category,[1] % of consumers who ranked category in their top 2 of 5

Consumer use case preferences by category,[2] % of consumers who included use case in top 3



[1]Question: "Which types of virtual immersive experiences or events would you be most likely to try?"
[2]Items by rank. Question: "Which of these immersive experiences or events are most appealing to you?"
[3]Multilocation group ordering = Consumers ordering takeout or food delivery together in the metaverse but being physically separate in the "real world."
Source: McKinsey Metaverse Survey 2022

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Fashion and beauty category missing the mark
While about 50 percent of consumers rank fashion and beauty in their top two categories for metaverse commerce, current offerings are failing to capitalize on that enthusiasm. Many brands are investing in creating immersive, digital-only metaverse experiences (especially when it comes to apparel and beauty shopping[3]), but consumers are less excited about walking through digital stores than about metaverse applications augmenting the physical-world shopping experience (Exhibit 2).

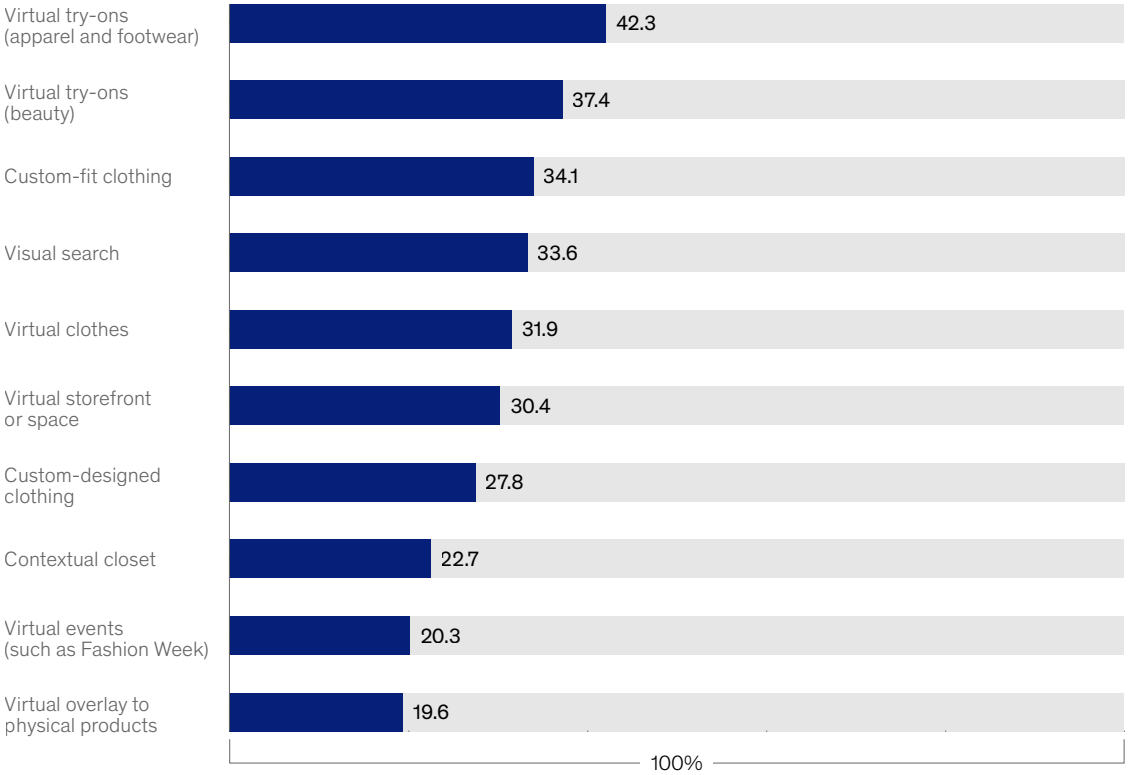
Consumers were most excited about experiences augmenting and complementing their physical-world experiences, especially those helping them with the fitting process. The case for virtual try-ons goes beyond just metaverse engagement: helping customers find the perfect fit could help ease the cost and complexity associated with record-breaking numbers of product returns.[4]

For all the rhetoric around letting consumers "express themselves" through avatars in the

Exhibit 2

Consumers are least interested in digital-only fashion and beauty experiences.

Interest by use case in fashion and beauty, % ranking in top 3 out of 10[1]



[1]Items by rank. Question: "Which of these immersive experiences or events are most appealing to you?"
Source: McKinsey Metaverse Survey 2022

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[3] "How the fashion industry can get into a metaverse mindset," McKinsey, April 7, 2022.
[4] Max Garland, "UPS to handle record 60 million returns during peak shipping season," Retail Dive, January 11, 2022.

metaverse, it's not a major reason consumers want to engage virtually. Avatars are primarily viewed as interesting if their use improves product purchasing or experimentation in the real world—or if it's entertaining in the moment. That mirrors our general finding that consumers are drawn to metaverse use cases that are fun or entertaining—just perhaps not in the way brands may have expected.

A tough market for virtual property

As in fashion and beauty, the appetite for completely immersive, digital experiences in the home category was low. Virtual open houses or property tours and product demonstrations ranked highest in interest for this category, with about 40 percent of consumers placing these use cases among their top three and about 50 percent saying they were very or extremely likely to try them. Yet the ability to build, buy, or rent properties virtually ranked lowest: just 21 percent put that opportunity in their top three, with less than 40 percent of respondents very or extremely likely to try them.

Waning interest in metaverse socializing

When it comes to experiential categories such as entertainment and media, consumer interest in socializing in virtual settings has seemed to wane. Traveling to new destinations and different times or spaces ranked highest in interest among consumers, likely due to consumer interest in using the metaverse to "just have fun" or "be entertained." But using the metaverse for nightlife and affinity or affiliation groups ranked lowest in this category.

Food for thought

Cooking classes and virtual hangout spaces rank highest among consumers in the food category, with more than 50 percent ranking them in the top three use cases. At face value, this appears to counter consumer sentiment in the experiential category. However, this may be due to general consumer confusion around translating food category use cases into a virtual setting; unsurprisingly, about a third of consumers needed clarification about what "consuming food" in the metaverse means. More consumer discovery is likely required to uncover how best to engage users.

Familiarity with fitness

Given relatively high consumer familiarity with online fitness offerings, it makes sense that group workout classes and cycling or running through different locations rank highest among consumers in the fitness category. Other use cases, such as competing in an event virtually and digital sports memorabilia, may require more consumer education and imagination to get behind, with at most 20 percent of respondents ranking them in their top three.

Consumers are drawn to metaverse use cases that are fun or entertaining—just perhaps not in the way brands may have expected.

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Three actions to stay ahead of the curve

Given the uncertainty and complexity of the metaverse, agility, flexibility, and adaptability will be paramount to driving the most value from an organization's metaverse offerings. Winning metaverse players will most likely exhibit these three best practices going forward:

1. *Deeply know who your consumer is and where they are in their metaverse journey.* Depending on the consumer demographic and psychographic profiles, their understanding, level of adoption, and interest level in the metaverse may vary. Their desire to bridge the physical and digital worlds may vary by category, use case, age, psychographics, and more. Identifying your target consumers and their metaverse preferences will help determine metaverse priorities.

2. *Identify priority use cases and build consumer-first offerings.* Priority use cases will vary by retail category. Conducting a deep dive into priority use cases for your category (or categories) will help prioritize metaverse experiments and product offerings. It will also help uncover key consumer concerns about your category in the metaverse, which can provide powerful insights into product development and resource prioritization.

3. *Test and learn, expanding high-adoption use cases where available.* While navigating uncharted territory, organizations can still take a test-and-learn approach to product development through rapid experimentation, reprioritization, and agile operations. This can include increasing high-adoption use cases that show promise for consumer adoption, crowdsourcing product development ideas from across the organization in a grassroots manner, and running metaverse offerings with different profitability expectations than other parts of your core business during the period of product validation.

No matter the retail category, it seems clear that the foundation of a successful metaverse approach rests on four things: maintaining open channels of communication with consumers, refining offerings, scrapping nonperforming projects, and pivoting quickly. And while some metaverse experiments may be more eye-catching than others, the best first step into this emerging opportunity may be to ground experiments in real-world applicability.

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