

APPAREL AND ACCESSORIES

## How to learn from luxury's best in the metaverse?

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The metaverse is an exciting new space where luxury brand powerhouses have been eager to gain first-mover advantage.

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Last year Balenciaga partnered with Epic Games to dress avatars in signature pieces, and we are now hot on the heels of the first "meta" Fashion Week on Decentraland, which Dolce & Gabbana used to virtually launch an exclusive collection.

The stakes are high. According to Morgan Stanley, the digital-first luxury market will **be worth \$50 billion by 2030**.

So it is no real surprise that some of the biggest names in luxury are going virtual to gamify shopping and open exclusive experiences such as fashion shows to wider audiences. And it is no surprise that other luxury brands will want to follow suit.

Diving head-first into the metaverse is not necessarily for the faint-hearted. New research finds just two-in-ten consumers are interested in socializing in virtual spaces. As the early adopters show, however, there are ways to succeed. Looking at their learning curve more closely provides some key lessons on what luxury consumers expect and want.

### New space to play

The metaverse has opened a new window for luxury brands that dare to innovate.

Burberry's Blankos Block Party multiplayer fashion video game saw a sell out of NFTs (non-fungible tokens) of its virtual mascot in less than 30 seconds. Part of Burberry's success comes from dipping its toes into the metaverse when competition was low, but the learning curve here for luxury brands is that virtual audiences are ready to play.

According to Morgan Stanley, NFTs and social gaming could expand luxury's addressable market by 10 percent in the next eight years so there is plenty of impetus to think differently and embrace the new technology.

Experiences can span beyond gaming too.

Luxury has a unique opportunity to turn its traditionally invite-only events into accessible digital experiences. Decentraland's Metaverse Fashion Week is a great example of how brands, including Tommy Hilfiger and Dolce & Gabbana, could use a metaverse event to reach digitally-native cohorts who have never previously seen a place for themselves in luxury.

It is a smart move to take advantage of established platforms too, rather than trying to own the metaverse by launching their own digital playgrounds.

Instead, the early adopters have teamed up for gaming and virtual launches with the established digital players such as Decentraland and Fortnite, thereby tapping into curious, willing and ready-made communities.

These platforms are still in their infancy and are prone to glitches, but they remain the best place for brands to grow in the metaverse. Here, they can take advantage of growing tech capabilities, such as AR and 3D rendering, to quickly build relationships with audiences now engaging with the metaverse.

Keeping it exclusive

The metaverse is shining a new light on luxury, one that is fun, immersive and inclusive. At the same time brands should be careful not to ignore luxury's two key selling points of heritage and exclusivity.

Louis Vuitton recently balanced fun with exclusivity when it handed out limited-edition NFTs through its **Louis the Game**. Any NFTs won cannot be resold so remain totally unique to the owner.

Most recently, Gucci partnered with NFT accessories store 10KFT to **introduce two custom NFT wearables in its experimental and prestigious Gucci Vault**. Entry comes at a cost since the collection is only available to those who already own an NFT, which ensures an exclusive value exchange with consumers.

Both examples show that luxury can still be premium in the metaverse, but it is important to balance this with making other traditionally real-world experiences, such as Fashion Week, accessible to wider audiences.

Once all consumers established and new recognize the value exchange within their metaverse experience and buy into it, brands can collect data on virtual behavior and purchases. Combined with offline, this is another channel on which brands can establish a strong digital handshake through more personalized relationships that join up across every channel. This will be key to luxury brands that want to extend relationships with consumers whose first experience with them was in the metaverse.

Satisfying an audience that wants it now

Instant gratification is a challenge with which luxury brands will be familiar.

"Buy now" is becoming ubiquitous. Consumers can use QR codes to check out across a range of environments and next-day delivery is an everyday consumer practice expectation. But this is a challenge for luxury brands whose major tenets are craftsmanship and made-to-order.

The metaverse offers luxury brands a different way of looking at instant gratification.

During Decentraland's Metaverse Fashion Week, consumers could buy what they saw on the runway through a combination of QR-codes and NFTs and immediately dress their avatars with their new purchases. It is a compelling call to action for the right demographic.

As the technology of the metaverse improves, tools such as 3D rendering will mean new ways to meet consumer needs. Brands can allow consumers to curate tailor-made goods and then test what the real thing would look like in a virtual mirror, on their virtual selves.

Once purchased, there is an opportunity to use NFTs as an exclusive proof of purchase in the way Gucci and Louis Vuitton have done and to offer customers that instant and unique token of ownership.

Tailor-made items on virtual avatars can serve several purchases. While customers wait for the real thing to be made, brands are able to uphold their values of bespoke craftsmanship while also meeting consumer demands for using what they have bought straight away.

THE METAVERSE IS an attractive space for luxury brands to play in and will quickly become saturated as brands try to reap the benefits the early adopters have enjoyed.

To succeed now will require brands to open up engaging experiences to the masses, such as gaming with high-end products and traditionally invite-only shows.

The experience will still need to be something they cannot get anywhere else.

Additionally, newcomers will also have to balance more accessible experiences with the premium expectations of long-standing customers.

It is the brands that take advantage of NFTs to deliver personalized and immediate ownership, while making a name for themselves on established virtual platforms, that are likely to emerge as metaverse winners.

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