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LUXURY EYES METAVERSE AS THE NEW EL DORADO

The luxury sector has proved to be one of the most innovative in embracing the digital revolution. One of the key trends towards the end of 2021 has been the way that luxury retailers and brands are looking towards the metaverse. Selvane Mohandas du Ménéil, Managing Director of the International Association of Department Stores, looks at the scale of the opportunity.

For many, the [rebranding of Facebook into Meta](#) created a new opportunity: the metaverse. However, analysts such as [Ben Evans](#) pointed out that the story is not about a new name for Facebook, but an existing activity: virtual reality (VR) became sexier overnight by being christened the metaverse.

The reason? Meta plans to [invest \\$10bn this year](#) in VR, because, as Ben Evans puts it, Facebook [wants to own the infrastructure and be a "landlord"](#), not a "tenant". Although the success of this strategy remains to be seen, such news allowed the general public to discover virtual universes already famous with gamers: [Fortnite](#) (launched

in 2017, 10 million daily and [350 million monthly active users](#)), [Roblox](#) (launched in 2004, [33.4 million daily and 150 million monthly active users](#)) and others (including in Asia) appealing to the [estimated 2.81 billion players in the world](#), creating [a total gaming market of €156bn](#).

[Morgan Stanley](#) values the total VR market at €64.6bn within 2024 and [luxury brands are scrambling to get their share of it](#). Why shouldn't they? Luxury is all about storytelling, which is easier in virtual worlds (not to mention that brands also acquire a precious knowledge of their virtual visitors that can be monetised online and offline).



In 2021 alone, [Ralph Lauren sold a virtual collection on Korean platform Zepeto](#), [Gucci created an island on Animal Crossing](#) and sold virtual products on [Pokemon Go](#) and [Roblox](#) (where [19 million users](#) visited the store, including [someone who bought a virtual version of an existing handbag at a heftier price than its real-life equivalent](#)). Brands seek to establish links with the next generation of customers and go where they are. In its [2021 Luxury Study](#), Bain & Co and Altagamma are clear: for luxury brands, digital is no longer about directly operating ecommerce websites (40% of sales), but is the combination of a sales channel and a content generation tool, even contributing to popular culture.



[Balenciaga's](#) Creative Director Demna Gvasalia understood that. After digitally showing his SS21 collection during the COVID-19 lockdown, he presented his [FW21 collection through a video game](#) (which [generated a 41% brand request surge on Lyst.com](#)) and created skins for Fortnite (41% on Lyst). Balenciaga's CEO recently announced [the creation of a metaverse department](#), a move imitated by other players [such as the Italian group OTB](#), which owns labels such as [Maison Margiela](#) and [Diesel](#).

WHAT'S IN IT FOR LUXURY BRANDS?

Being present in gaming allows engagement with younger cohorts who might not otherwise interact with these brands, which creates new revenue opportunities through the sale of digital artifacts (looks, accessories, etc) that players can 'wear' on their avatars, leading to the notion of 'digital fashion' (according to consultancy [NellyRodi](#), one Roblox player out of five changes their 'skin' (appearance) every day). This opens up a sea of new possibilities: virtual collections, virtual shows, seasonal promotions...

In addition, the core feature of a luxury product being its uniqueness, brands are guaranteeing this virtually by exploring non-fungible tokens (NFTs) as a proof of authenticity for virtual products or a way to virtually authenticate physical products ('product passports') and even selling digital art of their own, such as [Gucci's NFTs](#) or [Louis Vuitton's co-designed artifacts with artist Beeple](#) – again influencing the popular culture.





MORE THAN INTANGIBLE, SHOULD LUXURY BE VIRTUAL?

Disruptions are, by essence, unpredictable. The iPhone is only 14 years old and no one saw it coming. Even though luxury brands are now ready to jump onto the metaverse bandwagon, lured by the incremental revenues seemingly at reach (as claimed by Gucci), one needs to remember that the metaverse is big with gamers because this particular group is willing to spend time in another reality with dedicated, and expensive, equipment (which explains Meta's investment plans). But in the same way that people got bored of a 100% digital life after the first lockdown, we should not take for granted that the metaverse will attract more people than the ones already there, as argued by tech analyst Ben Thompson (of course, generating a new revenue stream by monetising the existing 2.81 billion players is already a nice prospect). According to Thompson, this is why Apple is betting on augmented reality (AR) instead of VR, with iGlasses adding features to the existing world, not replacing it.

All in all, it's a gamble: the tech of the future (expensive, time- and resource-consuming) might not be the one that everyone is betting on right now, but brands need to be there to find out.

Another potential issue for luxury brands might be caused by the ownership of their virtual operations. Luxury brands have spent the past 25 years opening their own stores and shutting down wholesale accounts on the grounds that this was a better way to pass on their brand message to customers (and enjoy a more substantial margin). Be it in AR or VR, brands will have to deal with Apple, Meta, Tencent, Microsoft, Fortnite and Roblox among others

who already act, through their app stores and regulations, as much more than simple 'landlords' (they are the infrastructure and structure at the same time). In real life, Louis Vuitton owns and operates 100% of its stores, in the metaverse it is unlikely that it will be able to have a similar degree of control.

A DUAL FUTURE FOR DIFFERENT LUXURY BRANDS?

One may wonder if this metaverse frenzy is not simply one of the options at hand for luxury brands to pivot their business models. It is striking to see other major brands taking a radically different approach: what should we think of Bottega Veneta or Lush (a non-luxury brand) literally erasing their digital presence in the same year that others have raced to the metaverse? Bottega Veneta's then artistic director Daniel Lee claimed at the time to be against the "homogenisation of culture".

This might suggest that there is, in the long run, a differentiated approach taken by luxury brands, with a gap between the 'broadcasters' (literally pre-empting every cultural space, including virtual ones) and 'product-makers' (such as Bottega) who rely on their quality to be socially and culturally relevant, adding to their desirability by being hardly reachable online.

In both cases, this will create serious headaches for their wholesale partners, including department stores. They will be faced with either the necessity to enter the metaverse, too, to gain some virtual relevance or teaming up with brands that will not allow them to sell online, despite their massive investments to be equally relevant on that part of the business.