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Unlocking the Real Impact of Virtual Goods

razorfish

Hello!

Thank you for downloading new research from our Web3/metaverse experts at Razorfish.

We're at the beginning of a whole new digital era, with people seeking to seamlessly integrate their digital and physical realities and engage in digital experiences that build meaningful relationships with brands and peers.

As the leader in developing radically relevant touchpoints between brands and people in this innovative space, our belief is simple: in this new version of the internet, creative experience drives everything. Not a news feed algorithm or media targeting. Not programmatic distribution or any other marketing tactics we're used to in our day-to-day Web2 lives. *Experience.*

Our beliefs are playing out in the pages of this survey, conducted at the height of "crypto winter." Amid supply-chain disruptions, global political tensions, and inflationary pressures, respondents still sought to acquire virtual goods that reflect their sensibilities and sensitivities. They expect brands to provide goods and experiences that meet their needs, whether functional or just emotional. They're hopeful this space will bring richer, more rewarding, and creative experiences.

We hope you're inspired by these findings and our efforts to establish a value index of virtual goods.

- ***cristinal.eth***



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RESEARCH OBJECTIVE

To understand consumer expectations of value around virtual goods, and how these consumer perceptions are shaping digital culture and the development of wholly new virtual ecosystems of goods.

WHY THIS MATTERS

These observed attitudes and behaviors are only going to evolve as Web3 experiences and technology become pervasive. As brand marketers, we need to understand the attitudes of early adopters as bellwethers of mass adoption to enable us to future-proof organizations and revenue streams.

KEY QUESTIONS

- What shifts are occurring around investment in virtual goods?
- How do people ascribe value to brands IRL and Web3?
- What are consumer expectations for brands that activate in Web3?
- What new behaviors are emerging around virtual goods?

Key Findings

We define all survey respondents as early adopters of virtual goods.

Early adopters' behaviors in the space could signal how broader consumer groups will behave and engage with brands who release virtual goods.

Among these early adopters, a majority subset see virtual goods as being at least as valuable as physical goods.

Because of their unique perspective, we highlight these "Optimists" beliefs in several key areas.

For example, Optimists demonstrate the potential halo effect virtual goods can have on IRL purchase behaviors.

EARLY ADOPTERS*

71%

Believe virtual goods are equal to or more valuable than physical goods. They see them as a "luxury" item.

40%

Are likely to spend at least a quarter of discretionary income on virtual goods.

35%

Are dropping at least \$1,000 on their virtual portfolio.

*Total Respondents

OPTIMISTS**

~25%

Are looking for novel ways to engage with brands' products and experiences, especially to become part of a community.

43%

Would be willing to reconsider a brand from which they don't normally buy.

37%

Would be willing to purchase a physical good from a brand they don't normally buy.

**Respondents who believe virtual goods are at least as valuable as physical goods

Methodology

BACKGROUND

Razorfish partnered with GWI to develop an online, recontact survey sent to respondents meeting strict criteria around virtual goods ownership. The 10-minute survey was then distributed in an online format to the panel of 436 respondents, ages 16–64, **with a skew toward Gen X and Y.**

GWI's recontact methodology enabled Razorfish to reach respondents who completed its core survey within the last four waves. Data from that recontact was selectively synched with core data, which consists of over 35,000 data points.

FIELDWORK DATES

Start: July 18, 2022

Finish: July 28, 2022

AUDIENCE PARAMETERS & DESCRIPTION

To ensure we were recontacting only active participants in the virtual goods space (vs interested parties) we screened for early adopters—respondents who indicated they owned/had owned a virtual good in the past year.

We defined virtual goods as broadly as possible to include: NFT art, in-game virtual goods like avatar skins or wearables, fractional ownership of virtual land, and DAO/community tokens. This list excluded digital entertainment or physical goods purchased online.

We sampled **436** virtual good purchasers located in the US, which can be **projected to a universe of 54.6M real-world people based on GWI calculation.**

Our survey fielded at a **challenging time** for Web3 crypto speculative markets

A decline in key crypto prices...



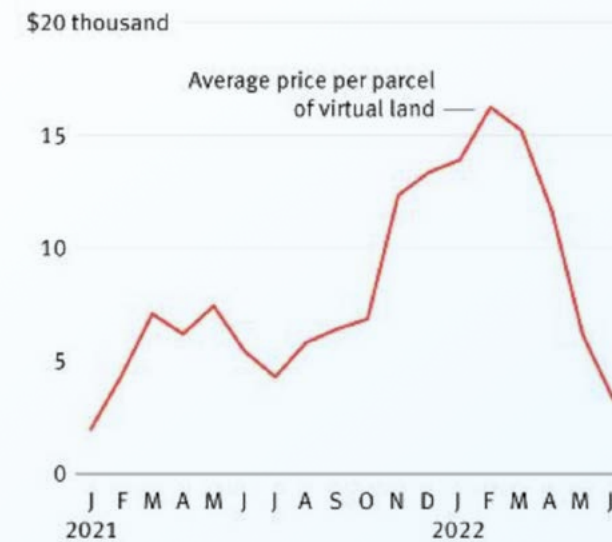
(ETH:USD)

...which decimated value of NFTs traded



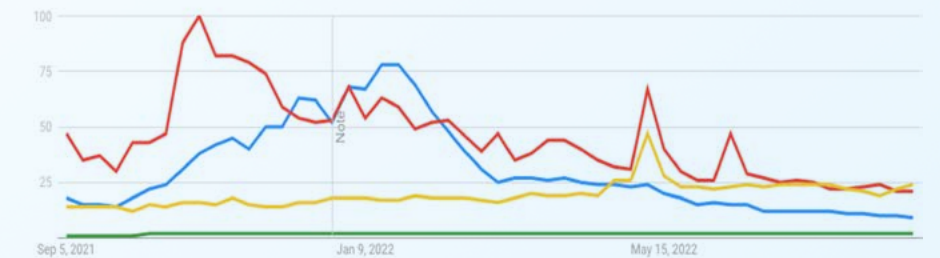
Volume on OpenSea

...as well as the value of metaverse assets



Price/Parcel of Virtual Land

...and even relative search interest



Google Trends

● NFT ● Crypto ● Avatar ● Wearable

Survey conducted July 18 through July 28, 2022

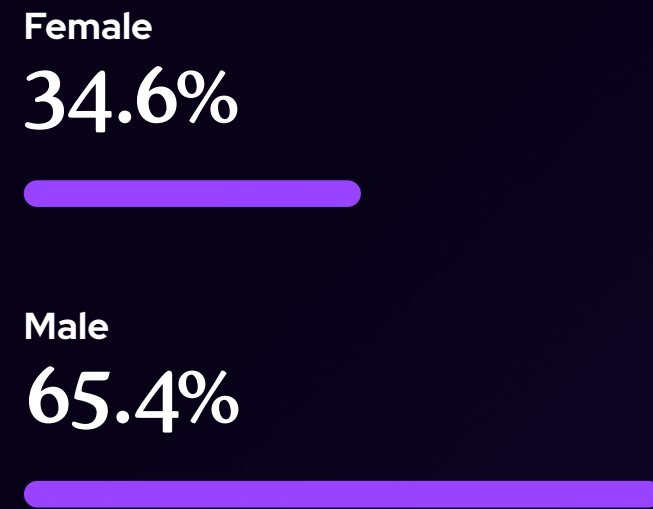
Even so, this gloomy backdrop did little to impact the way the vast majority of survey respondents **optimistically ascribed value** to virtual goods.



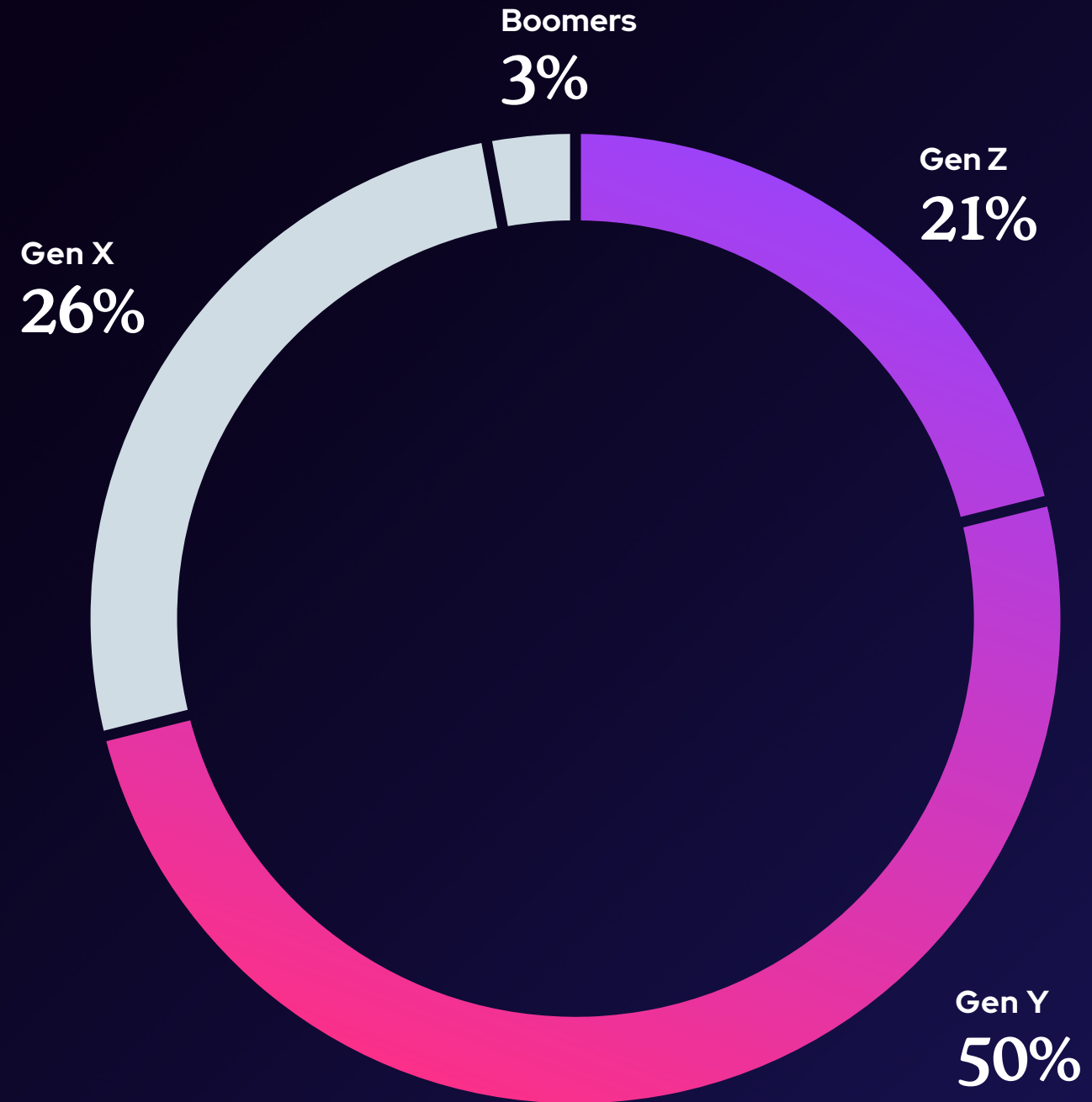
Q: Which of the following statements do you agree with?

Who are our **early** adopters?

Before diving into more nuanced findings from our survey, we wanted to take a look at the totality of the respondent sample to establish commonalities of early adopters of virtual goods—from demographics and spend to proficiency and fluency in the Web3 space.



Two-thirds of our sample skewed male and slightly older than gen pop.*



CONTEXT

Demographically, **early adopters** diverge from the general population.

Compared to the general population, virtual goods early adopters are more likely to skew:

Older

1.4x

More likely to be Gen X or Baby Boomers

Educated

1.5x

More likely to have a college diploma

Higher Income

1.2x

More likely to have at least \$115K household income

And, when it comes to virtual goods, they're likely to allocate sizeable portions of their wealth (and time) to developing a **robust portfolio**.

SOPHISTICATED

23%

Own at least two wallets.

10%

Own a cold wallet.

KNOWLEDGEABLE

61%

Are familiar with a variety of virtual goods, **outside of gaming environments**.

49%

Own a variety of virtual goods, **outside gaming**.

INVESTED

38%

Spend at least 25% of their discretionary income on virtual goods.

35%

Have allocated at least \$1,000 to their virtual goods portfolio.

A dive into our **optimist** segment

We did find similarities among the total early adopter audience. Yet when we double-clicked into this respondent pool, we found marked differences between the 71% majority group that values virtual goods at least as much as physical vs the minority 29% faction that deems them less valuable than physical goods.

This demarcation in mindset, savviness, and deep engagement in the space, in addition to expressed interest and intent despite a sour market, led us to name this majority group “Optimists.”

Their bullish attitudes, perceptions, and behaviors are reflected in both their current take and future outlook as revealed in the forthcoming findings.

71% Of respondents regard a virtual good as at least as valuable as a physical one.



20%
A virtual good is **more valuable** than a physical one.

51%
A virtual good is **just as valuable** as a physical one.

29%
A virtual good is **less valuable** than a physical one.

Q: Which of the following statements do you agree with?

A digital landscape featuring dark, jagged mountains in the foreground and middle ground. The sky is a gradient of purple, blue, and orange. A large, glowing neon triangle is superimposed on the scene, with its vertices at the top center, bottom left, and bottom right. The text is centered within the triangle.

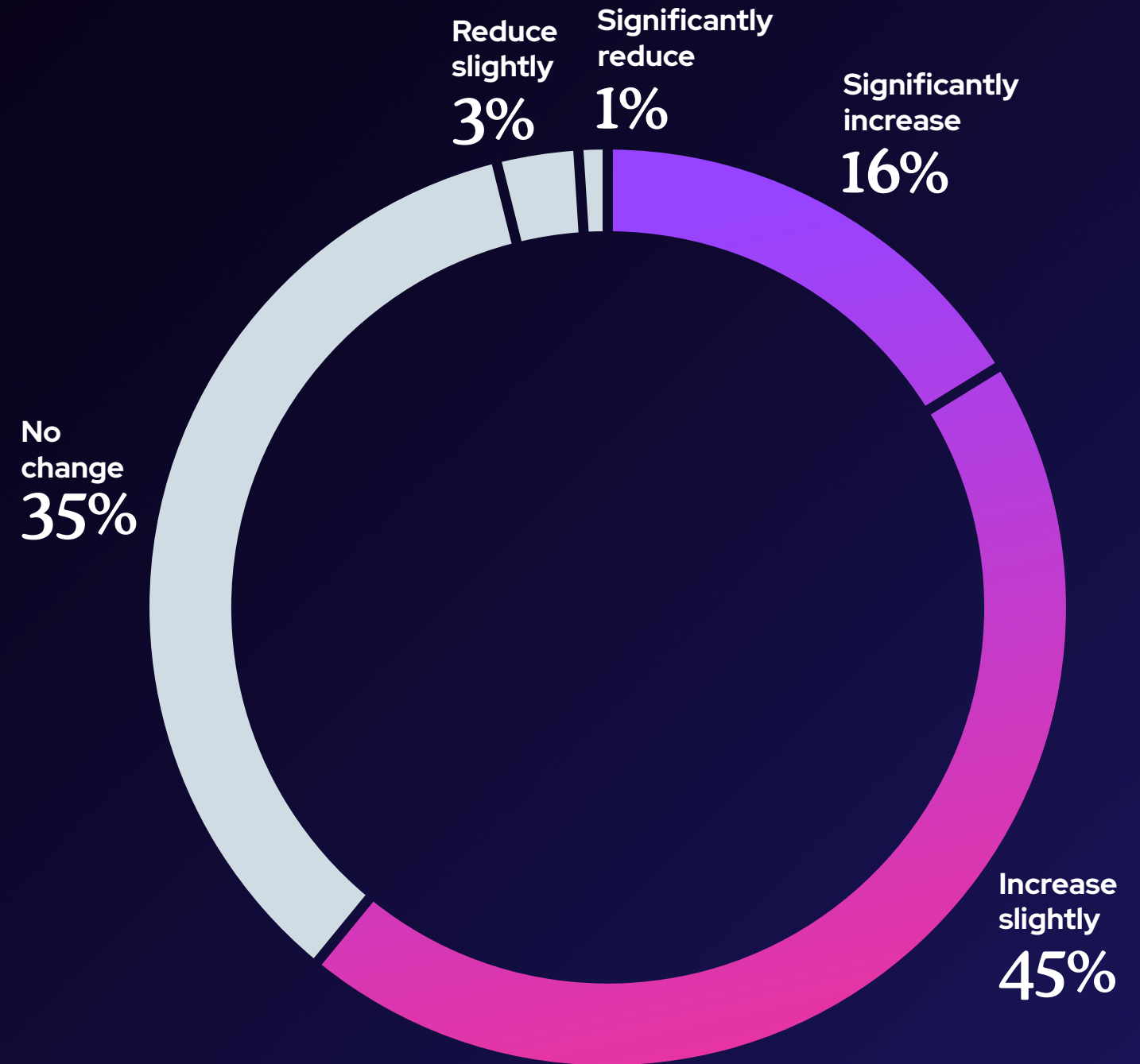
Optimists are all-in on virtual goods. For them, there's no difference between digital and physical possessions.

Even in a crypto bear market, these consumers are **doubling down** on virtual goods purchases

61%

Of Optimists expect to slightly/significantly increase investment, dialing up confidence in an uncertain economic market. Nearly all will make some level of investment.

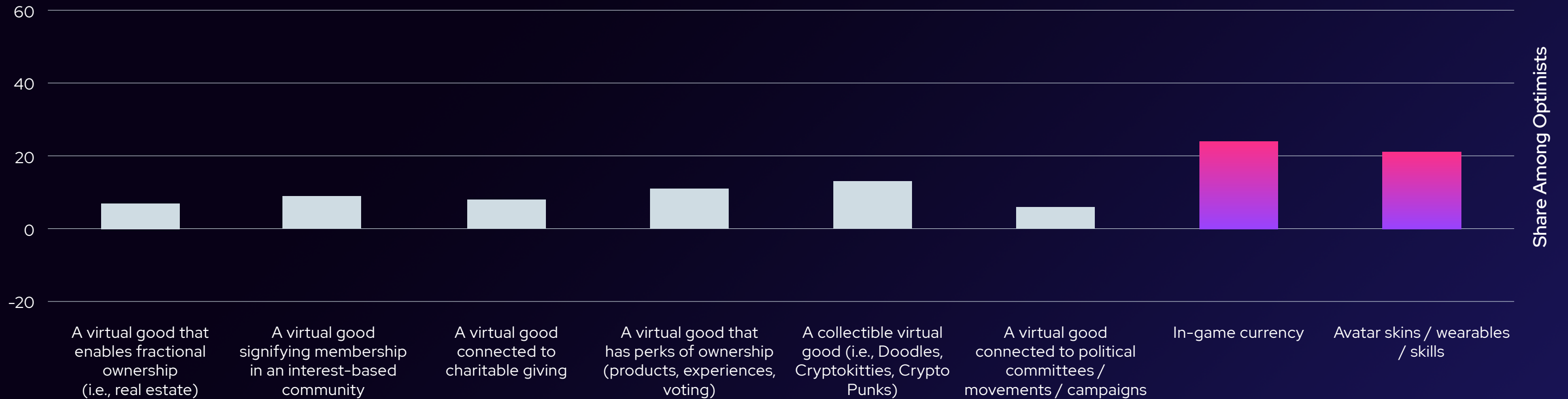
Investment Increase - Next Year



The metaverse **does not equal** gaming.

In-game items currently comprise 50% of Optimists' virtual goods stash.

Current Investment Allocation Among Optimists



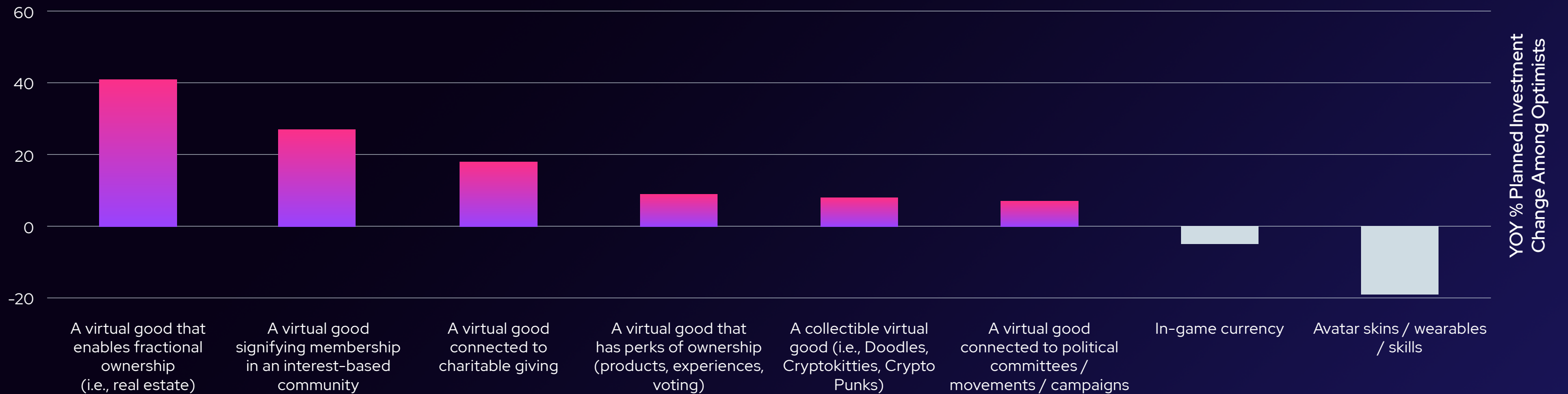
Q: Which of the following types of virtual goods have you owned in the past 12 months? Please select all that apply.

Q: What types of goods do you think you might prioritize purchasing in the next year? Please select all that apply.

While gaming may be a “gateway,” these consumers **anticipate increasing spend elsewhere**, on other types of virtual goods.

Next year, Optimists are looking for virtual goods that deliver against financial and social value, such as ownership or community membership.

Planned Investment Allocation Among Optimists

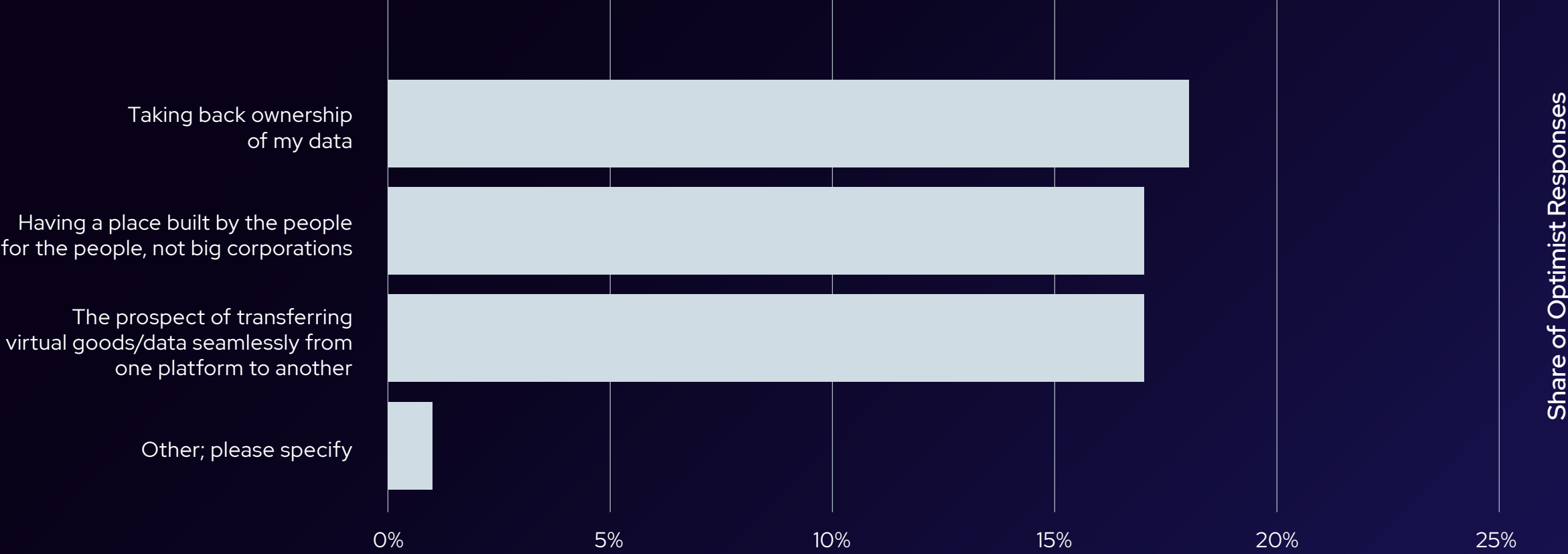


Q: Which of the following types of virtual goods have you owned in the past 12 months? Please select all that apply.

A digital landscape featuring dark, jagged mountains under a gradient sky transitioning from teal to orange. A large, glowing triangle with a cyan top and magenta bottom is centered in the sky. A horizontal line of light, transitioning from cyan to magenta, spans the width of the triangle's base. The scene is reflected in a calm body of water in the foreground.

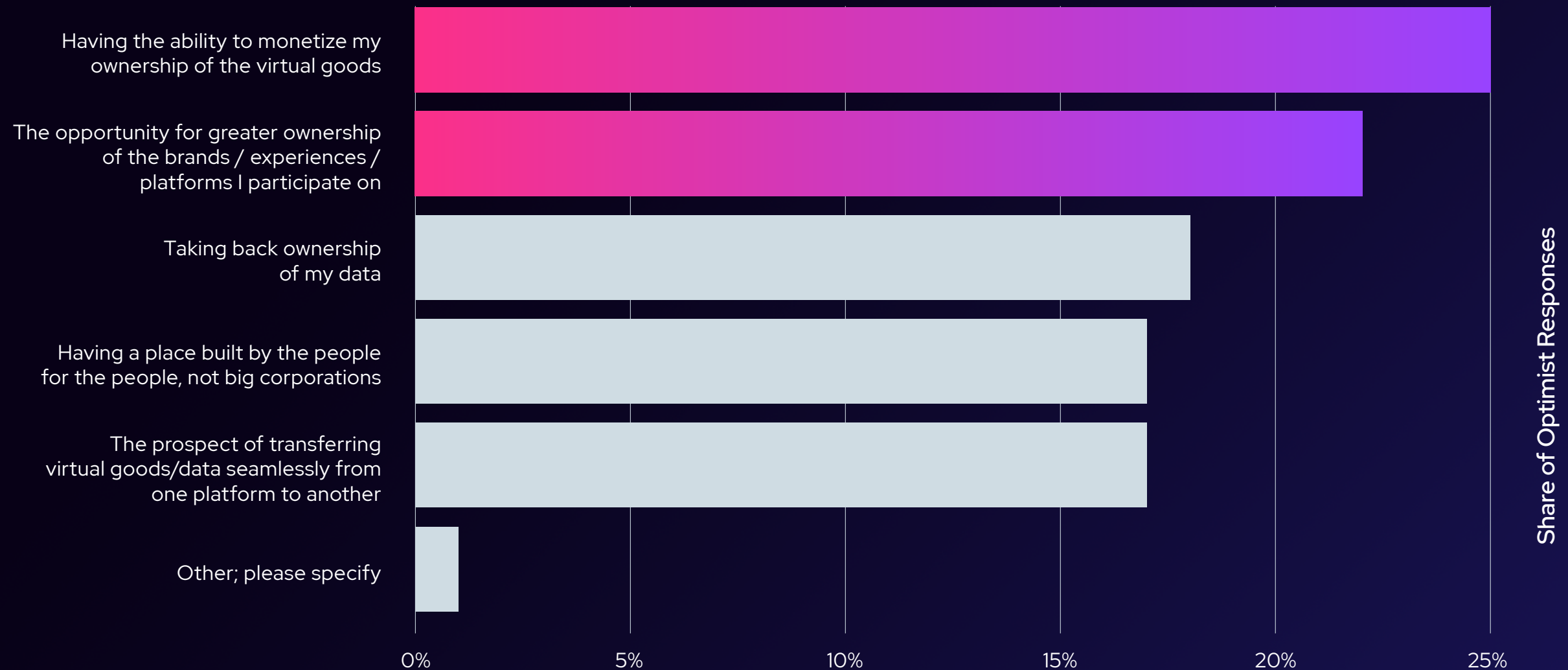
People buying virtual goods are not Web3 ideological purists. They're finding novel ways of creating financial, social, and cultural value.

When broadly asked about what interests them in Web3, these consumers noted **typical philosophical promises** from data ownership to interoperability.



Q: What most interests you about Web3?

Yet, it's clear the most immediate and promising prospect of Web3 is **profit**, specifically the ability to monetize virtual goods.



Q: What most interests you about Web3?

Interestingly, when thinking in a Web3 context these consumers express interest in being more than simply consumers—and **more like partners.**

~ 1 in 4

Nearly a quarter of Optimists are looking for greater ownership of brands, experiences, and platforms.

Q: What most interests you about Web3?

Furthermore, while numbers are modest, there are signals that **Web3 investing is a “social” act**. Consumers are pooling funds to buy virtual goods with a trusted circle of friends—sharing the wealth (and the risk).

27%

Of Optimists have pooled with others to purchase a virtual good.

Q: Are you, or have you ever, pooled with other people to purchase virtual goods?

~ 20%

Of those that pool funds are more likely to enjoy the social aspect of learning, buying, and crowdsourcing with friends.

Q: Why are you part of a group that actively purchases items together?

A digital landscape featuring a range of mountains in shades of blue and purple. The mountains are reflected in a body of water in the foreground. A bright, glowing crosshair, composed of a vertical and a horizontal line, is centered in the image. The background is a gradient of dark blue to purple.

**Virtual goods are an accelerator for brand growth,
even for unfamiliar brands.**

A vast majority of these consumers are open to **traditional brands** offering virtual goods.

80%

Of Optimists indicate interest in obtaining a virtual good from a non-Web3 native brand.

*Q: Imagine that each of the following brands were to offer a virtual good.
For each brand, what would you most expect that virtual good to enable/do?
Please select the option that most closely applies per row.*

These consumers want to acquire branded virtual goods that can increase their or their avatar's **cultural cachet** and influence online.

26%

Of Optimists are more likely to want brands in the virtual world to make them **feel valued** when compared to the physical world.

18%

Of Optimists are more likely to want brands in the virtual world to help **improve their image/reputation** when compared to the physical world.

Optimists' Expectations of Brand Role (Physical vs Virtual)

Q: Which of these things do you want brands to do? (GWI Core - Physical)

Q: Imagine that each of the following brands were to offer a virtual good. For each brand, what would you most expect that virtual good to enable/do? (RZF - Virtual)

Traditional brands experimenting in Web3 are giving things away for free. However, these consumers are **willing to pay** for a virtual good from a brand they already have a relationship with.

1 in 3

More than a third of Optimists are open to **paying for a brand's virtual goods if they already have a relationship**, outpacing expectations to receive the good as a "gift with purchase" or even as a "free" giveaway.

Q: Imagine that you have a pre-existing relationship with a non-Web3 brand (i.e., you have an affinity for, frequently purchase, and/or belong to a member program for a brand like Starbucks, Levi's, Allbirds, etc.). How might that impact your likelihood to obtain a virtual good from that brand? Please select the option that best applies.

Virtual goods **strengthen brand loyalty**, even if consumers are presented with a cheaper option.

17%

Of Optimists are willing to pay more for a brand than a lower-priced competitor if they owned a brand's virtual good. **This is 2X the rest of respondent sample.**

Q: Which of the following statements best describe how ownership of a virtual good impacts your likelihood to engage with that brand more broadly? Please select the option that best applies.

NON-ESTABLISHED BRAND RELATIONSHIP

Even when not familiar with a brand, when that brand offers a virtual good, these consumers say they will think more **positively** and talk to friends.

POSITIVE SENTIMENT

28%

Of Optimists are more likely to think positively of unfamiliar brands if that brand offers a virtual good.

TALK VALUE

21%

Of Optimists are more likely to talk about brands they don't consume to friends and family.

Q: Imagine that you come across a virtual good or experience hosted by a non-Web3 brand (i.e., Starbucks, Levi's, Allbirds) that you do not have a pre-existing relationship with. How might this impact your perspective/likelihood to engage with that brand more generally? Please select the option that best applies.

NON-ESTABLISHED BRAND RELATIONSHIP

Virtual goods **encourage consideration** and purchase behavior, even when these consumers don't have a previous relationship with a brand.

BRAND CONSIDERATION

43%

Of Optimists are willing to consider a brand they don't consume if that brand offered a virtual good.

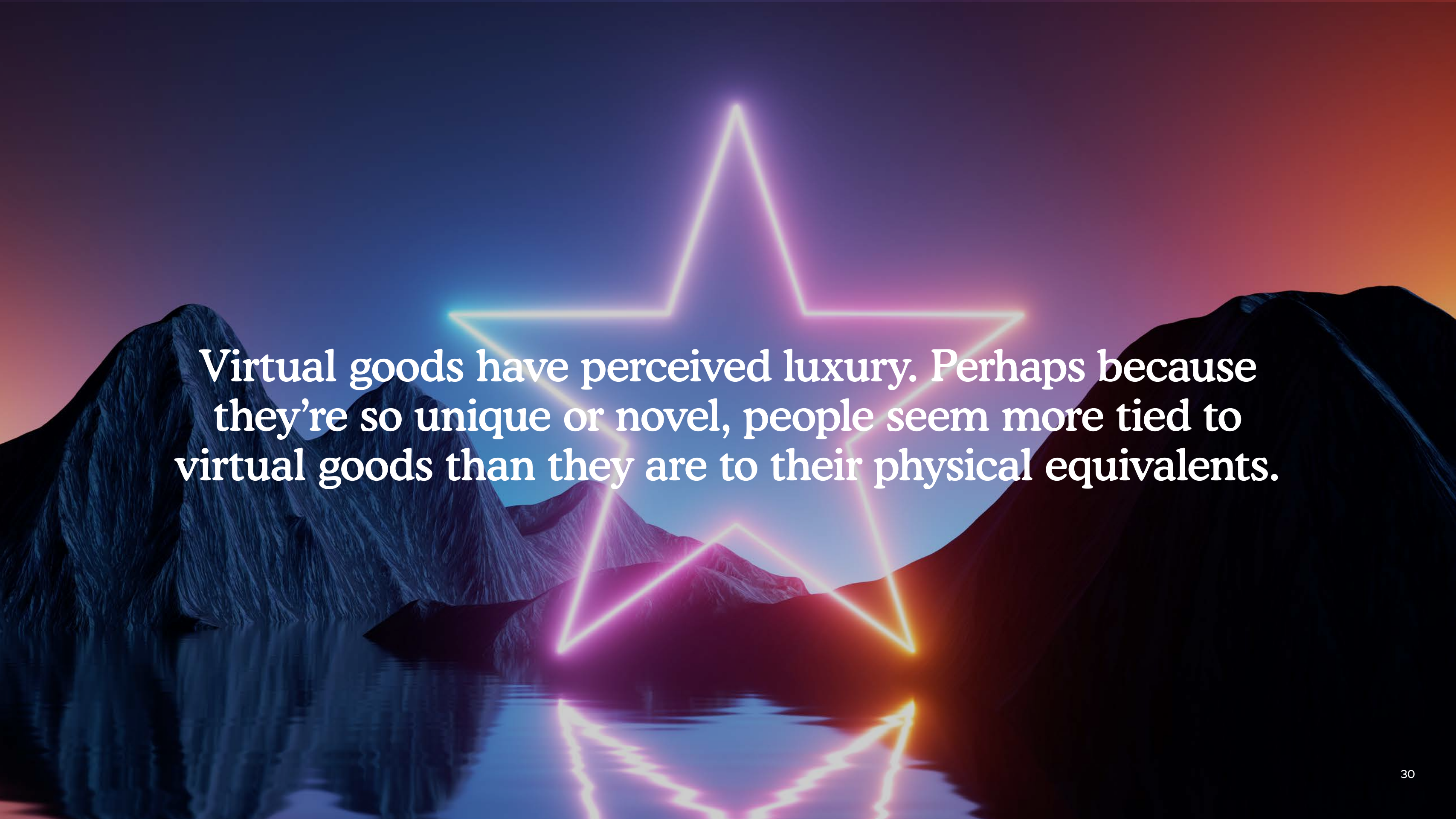
PURCHASE LIKELIHOOD

37%

Of Optimists are more likely to "try the brand" they don't consume if the brand launched a virtual good.

HOW OPTIMISTS ARE DIFFERENT

Finally, we were curious what makes Optimists' attitudes towards brands unique compared to the rest of the respondent sample. Specifically, we wanted to know how they perceive the value of virtual goods differently when it comes to mass and premium brands.

A digital landscape featuring dark, jagged mountains under a gradient sky transitioning from blue to orange. A large, glowing, multi-colored star (with shades of blue, purple, and yellow) is centered in the sky, and its reflection is visible in the water in the foreground. The text is overlaid on the scene in a white, serif font.

Virtual goods have perceived luxury. Perhaps because they're so unique or novel, people seem more tied to virtual goods than they are to their physical equivalents.

When it comes to **non-virtual goods**, Optimists buy mass brands for functional reasons and premium or luxury brands for social/emotional reasons.

TOP REASONS OPTIMISTS ARE MORE LIKELY TO BUY..*

Mass Brands IRL

The brand name quality is just as good as mass market quality.

I feel like I get charged extra for a brand name.

Q: When you opt to shop at/purchase a more mass-market option, which of the following best characterizes your reason for doing so? Please select the option that best applies.

Premium Brands IRL

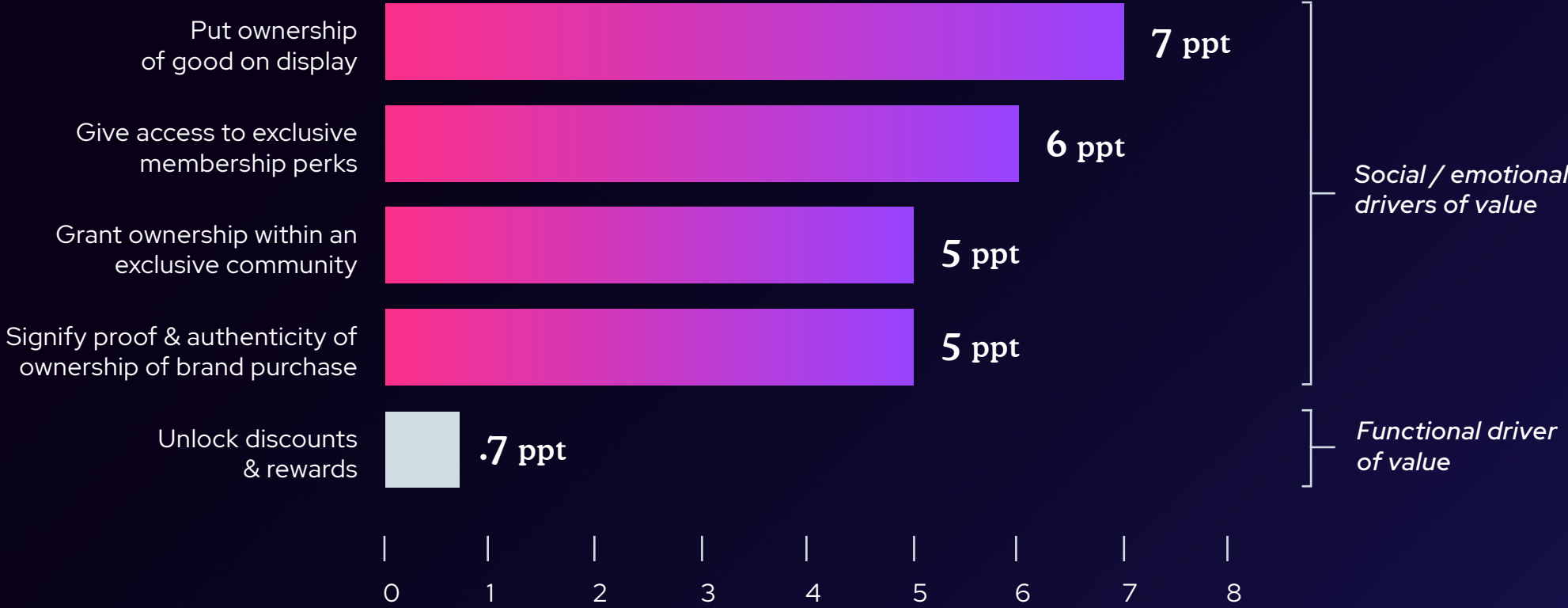
Enables me to associate with the types of people I aspire to engage with.

Allows me to say something about who I aspire to be.

Q: When you opt to shop at/purchase a more premium option, which of the following best characterizes your reason for doing so? Please select the option that best applies.

Yet, when it comes to **virtual goods**, Optimists expect mass brands to deliver expanded emotional value—just like their luxury counterparts.

OPTIMISTS ARE MORE LIKELY TO EXPECT VIRTUAL GOODS TO...



Percentage Point Difference in Optimist Responses vs Rest of Sample

Q: Imagine that each of the following brands were to offer a virtual good. For each brand, what would you most expect that virtual good to enable/do? Please select the option that most closely applies per row.

With luxury virtual goods, Optimists expect—beyond ownership—**access to an exclusive community**. This creates yet another aspirational, emotional territory for premium brands to play in.

IRL, social value is a driving force behind premium purchases.

“

A premium brand enables me to associate with the types of people I aspire to engage with.”

Q: When you opt to shop at/purchase a more premium option, which of the following best characterizes your reason for doing so? Please select the option that best applies.

And in virtual worlds, these social elements are magnified as community confers rights as well as access.

“

I expect premium brands offering virtual goods to grant me ownership within an exclusive community.”

Q; Imagine that each of the following brands were to offer a virtual good. For each brand, what would you most expect that virtual good to enable/do? Please select the option that most closely applies per row.



Implications for Brands

TAKEAWAY #1

Gaming platforms currently offer the most robust buying experiences.

But people are ready and willing to spend their money elsewhere.

BRAND IMPLICATIONS

Though games are capturing most of the popular attention and conversation, there's an emerging opportunity to deliver value in other ways—from membership to perks of ownership.

Even with a looming recession, and supply chain issues affecting physical product manufacturing and availability, there's opportunity to invest in virtual goods to build relationships and new revenue streams.

TAKEAWAY #2

Consumers are looking for brands to develop virtual goods that enable new ways of creating value.

BRAND IMPLICATIONS

Brands should not develop virtual goods just because of the hype. Rather, marketers must ask how these goods are engaging consumers and inviting them into the brand. What benefits and access does the virtual good offer? How does the virtual good create not just short-term, but long-term value?

Social behaviors, including pooled resources to purchase virtual goods, will continue to shift the ways brands perceive priority audiences. Novel product streams in this space can enable new ways to build relationships with consumers and enrich first-party data pools.

TAKEAWAY #3

Consumers are keen to reward brands offering virtual goods with a sizeable share of their attention, and both their virtual and physical wallets.

BRAND IMPLICATIONS

Virtual goods are an opportunity to grow revenue by extending and expanding products, but also for long-term brand building.

Brands that get in early have a unique opportunity to build relationships with consumers who are loyal fans as well as those open to new relationships, creating not just new revenue streams, but advocacy.

Experimenting, iterating, and evolving with consumers is critical for brands to future proof themselves in a quickly changing space that not only includes traditional but endemic brands.

Making physical and virtual experiences seamless is key, so people can interact with brands where they are, on their terms.

TAKEAWAY #4

When it comes to Web3, people are kicking traditional notions of brand value to the curb.

Value is taking on new meaning in the virtual space.

BRAND IMPLICATIONS

Elasticity is greater in the virtual space. For mass brands in particular, this signals an opportunity to create new products, experiences, and services.

For mass brands, virtual goods offer an opportunity to reach beyond the functional and expected, engaging people on a more emotional level by helping them curate their virtual identity and persona.

For premium brands, perceptions around “social clubs” and community can be a new emotional territory that indicates aspirational luxury.

Questions?

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Contributers



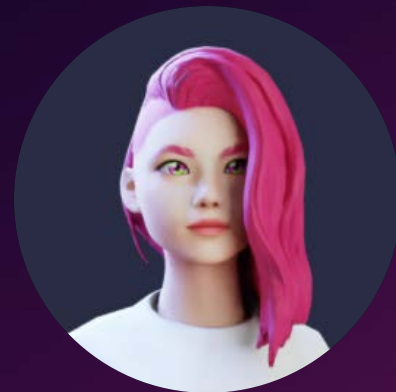
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