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Q&A With Cathy Hackl on the Metaverse

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At Global X ETFs, we believe a chart is worth a thousand words, and then some, when it comes to our changing world. [Charting Disruption](#), our annual thematic research project, depicts the disruptive themes changing our world through charts, graphics, and much more. While the topics of the four main sections, including Personalized Medicine, A Greener Economy, Experiential Technologies, and FinTech, Blockchain, & Web3 are each unique in their own right, they are connected by innovation and the ability to transform the world.

To explore the depth of these changes, Global X ETFs' Research Team partnered with handpicked experts from academia, consulting, and investing. Below, we discuss the early stages of the Metaverse, how it differentiates itself from previous disruptive technology, and what the future potential of the virtual realm can be with Cathy Hackl. Cathy is a globally recognized Metaverse/Web3 strategist, tech futurist, sought-after business executive, speaker, and media personality who has been dubbed the 'Godmother of the Metaverse'.

After solving early challenges related to connectivity, access to devices, and applications, we expect digital experiences will evolve to increase participation, engage additional human senses, and drive more utility out of digital participation. To support this evolution, we believe platforms and hardware interfaces will evolve to develop the Metaverse.

1. What is the value of the Metaverse?

Today, an average global user spends nearly 45% of their daily awake time connected to digital services.¹ In the U.S., the digital economy represents nearly 10% of total GDP.² The Metaverse will further accelerate the digital economy-led disruption by building on existing technologies to enable deeper digital participation and further connect our virtual and physical lives.

The Metaverse-powered virtual realm will eventually consist of several key features, including real-time persistency, economies, communities, digital avatars, and accessibility across multiple devices. Enabling technologies such as next-gen networking, mixed reality, blockchain, and immersive hardware will play key roles in making the Metaverse a reality.

Unlike today's centralized platforms, true Metaverse platforms will be relatively decentralized, not governed by any singular entity or technology. Notably, users will have a voice in controlling platform terms. Experiences will not be constrained by two-dimensional interfaces.

2. What is the difference between the Metaverse and Web3?

The Metaverse and Web3 are intrinsically linked but not synonymous. Web3, the next iteration of the internet, focuses on how people, spaces, and assets are connected. It features decentralized control and data ownership using protocol-level technology to leverage a public ledger using blockchain, cryptocurrencies, non-fungible tokens (NFTs) and decentralized finance (DeFi). The Metaverse features immersive experiences for end consumers. It represents the future of how we will work, play, connect, and create by expanding on Web2 platforms.



3. What are some essential enabling technologies that must mature for the Metaverse to come to fruition—both on the hardware and software sides?

Continually developing software technologies such as advanced graphics for virtual avatars, 5G/6G capabilities, blockchain, cloud/edge computing and artificial intelligence are critical to the Metaverse reaching its potential. These technologies will increase interoperability, automation, and latency.

Currently, Metaverse experiences primarily occur through a closed architecture system, which lacks compatibility across platforms and fixates on specialization. We expect the most successful Metaverse platforms to evolve toward a more open architecture that allows many, if not all, users, developers, and companies to participate on equal terms. On the hardware side, virtual reality (VR) headsets and augmented reality (AR) glasses, semiconductors, and supercomputers simulate real-world sensory experiences through a mixed-reality offering.

The continued development of these technologies, along with strict privacy and security standards with safety guidelines, will be essential to enabling a true Metaverse experience.

4. What industries will be impacted the most by the growth of the Metaverse over the next decade?

The Metaverse offers a massive opportunity for all industries. A McKinsey report estimated that the Metaverse could generate \$5 trillion in economic value by 2030.³ Given how early we are, estimates sizing the opportunity will continue to vary widely. What is certain is that industries can leverage time spent in the Metaverse through multiple verticals to capture much more value than the current internet.

Companies can provide users access to favorite brands, real-time simulated career training, live gamified and social events, and tokenized loyalty reward programs, all within their own virtual economy. We see it already with virtual fashion shows, immersive arts and entertainment, and in-house marketplaces. Mixed reality's impact will extend beyond recreational sectors. AR/VR technology applications already exist in the education, industrial, healthcare, and defense spaces, among others. Privacy and security will remain an important part of the convergence of the physical and virtual worlds.

5. Younger generations, particularly Gen Z and Gen Alpha, are more likely to embrace Metaverse experiences. How are consumer brands optimizing this opportunity to bypass traditional marketing and leverage the Metaverse?

Gen Z and Gen Alpha will be the main early adopters of the Metaverse, as they already spend substantial time in virtual spaces as digital natives. According to a study by Razorfish, 52% of Gen Z gamers say they would like to make money in the Metaverse, and 33% of them say that they would like to build a career there.⁴ Responses like these indicate that these generations will have seamless transition to the Metaverse.

Today, brands can take advantage of the platform that the Metaverse creates by garnering insight into the younger generations' passion points and communal values. Brands can then curate the perfect product or experience on trend.

The most important thing to understand about these digital natives is that just because something happens in the virtual space doesn't make it less real. To this group, how they present themselves in a virtual space is as important as how they present themselves in the physical world, perhaps even more so. This type of participation will be central to the Metaverse economy over time.



6. Compared to where we are today, what will the adoption of the Metaverse look like in 10 years?

Ten years from now, we may not even call it the Metaverse anymore. The Metaverse progressively blending physical and virtual worlds will enable users to coexist, collaborate over distance, communicate while feeling presence, and create in a way that has never existed before. Web3 promises a radical shift in creating innovative, community-driven customer journeys and a growing creator economy.

Despite being in its early days, the Metaverse's foundational infrastructure is in place and backed by companies' capital commitment. At this stage, solidifying guidelines, privacy, and technological advancements will be the most important work done to ensure the Metaverse fulfills its promise.

Right now, the fastest-growing brands in the Metaverse participate in digital communities to earn engagement and loyalty from their consumer base. Authenticity is the key marketing tool used to enhance customer relationship management and build for the future.

Footnotes

1. Kemp, S. (2022, January 26). Digital 2022: Time spent using connected tech continues to rise. *Digital Reportal*.
2. BEA. (2022, November 22). *Digital economy*.
3. Elmasry, T., Khan, H., Yee, L., Hazan, E., Kelly, G., Zimmel, R. W., Srivastava, S. (2022, June). Value creation in the metaverse. *McKinsey & Company*.
4. Thought Leadership. (2022, April). The metaverse: New study reveals surprising Gen Z insights. *Razorfish*.

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