



**WARNER
MUSIC GROUP**

EXPLORING VERCH

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OUR TEAM



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LOOKING FORWARD

VERCH AND METaverse OVERVIEW



WHAT IS VERCH?

Virtual Merchandise that can be worn on avatars, worn through AR, or used virtually

- 75% of Gen-Z consumers have purchased a digital item in a video game



VERCH TYPES

Cosmetic

- Clothing items
- Skins
- Hairstyles



Utility

- Weapons
- Power Ups (wings, saucers, etc.)
- Supplies
- Emotes
- Wallpaper backdrop



AR

- Tik-Tok filters
- Snapchat filters
- Video Chat filters





WHAT IS THE METAVERSE?



Virtual Realm

- A completely immersive virtual realm shared by many users in real time
- Virtual replica of the real world
 - Shop, Chat, Explore, Work, Play, Hang Out

- Fully customizable personas
- Provides users a sense of identity
- Can wear clothes and accessories
- Movements mimic real life

Digital Avatars

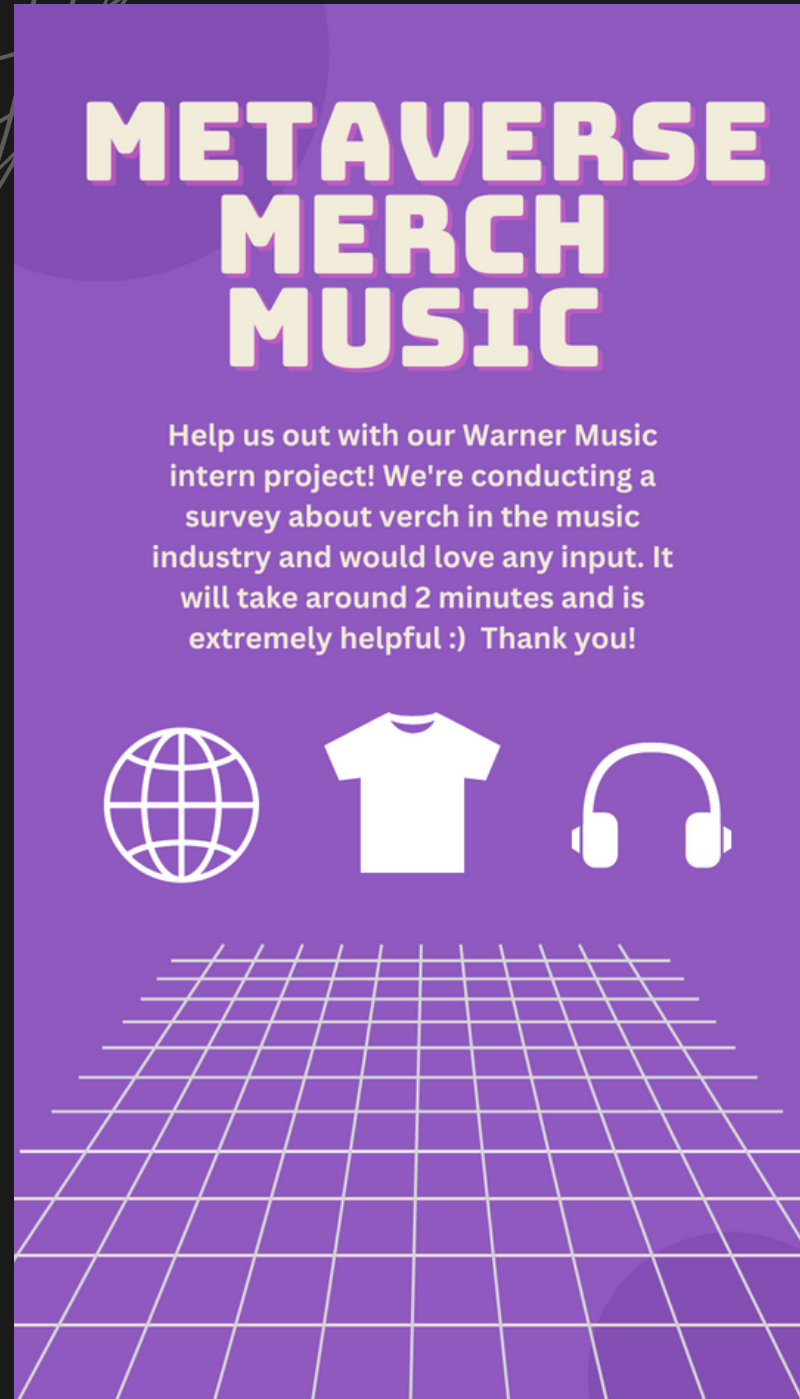


We were asked to make recommendations on what kind of verch resonates with audiences/fans while providing insight into specific platforms success with verch options.

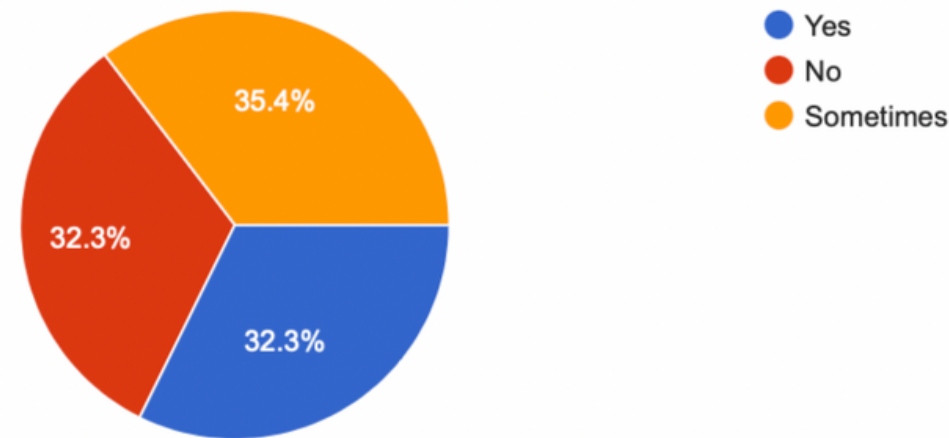
So we conducted a Survey to get real time data...



SURVEY RESULTS



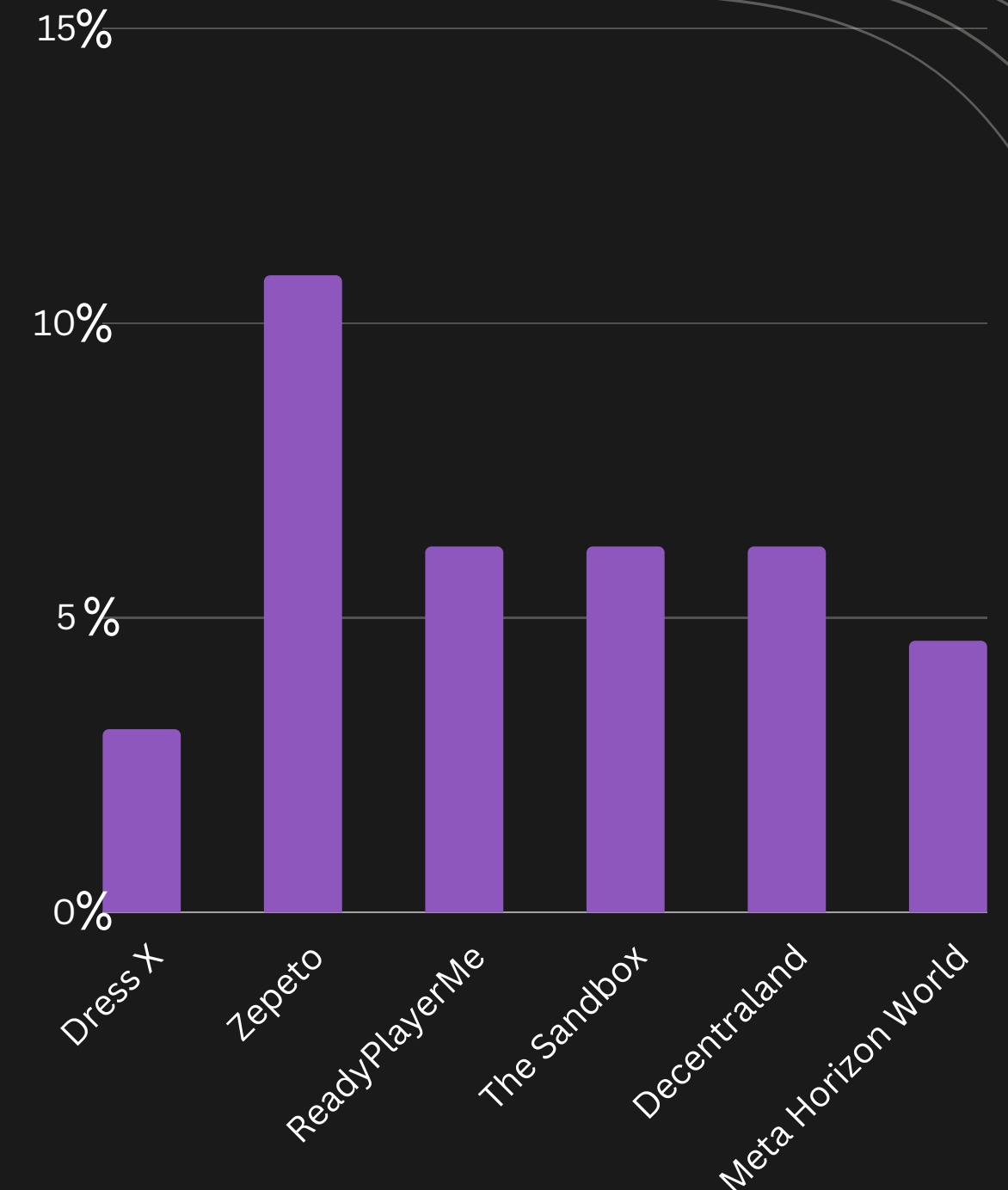
Do you play video games?
65 responses



This % comes from people who said yes/sometimes to playing video games:

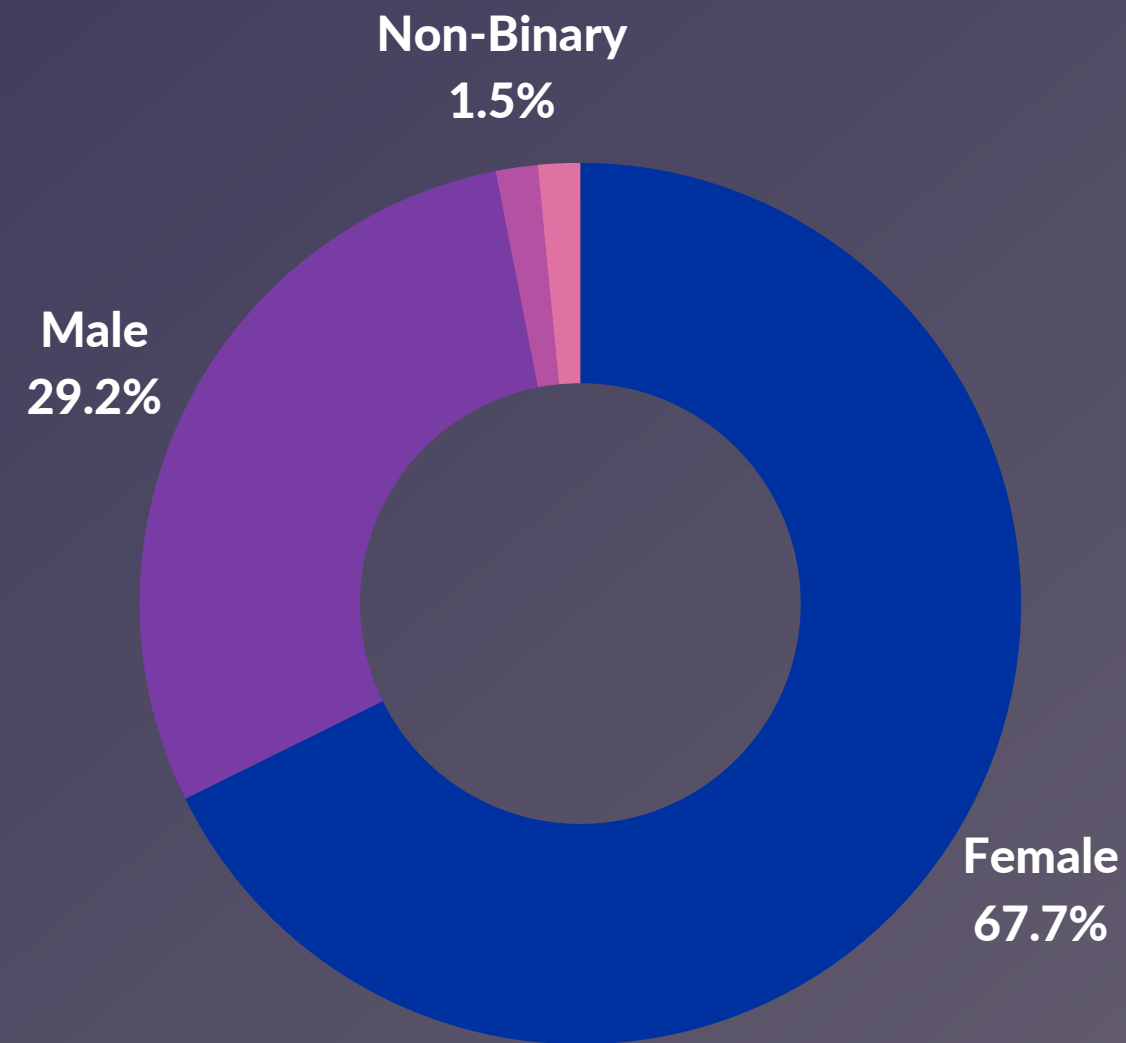
- Roblox: 11.4% play
- Fortnite: 22.7% play
- Minecraft: 29.5% play
- Call of Duty: 13.6% play
- League of Legends: 2.3% play

Metaverse Platform Usage

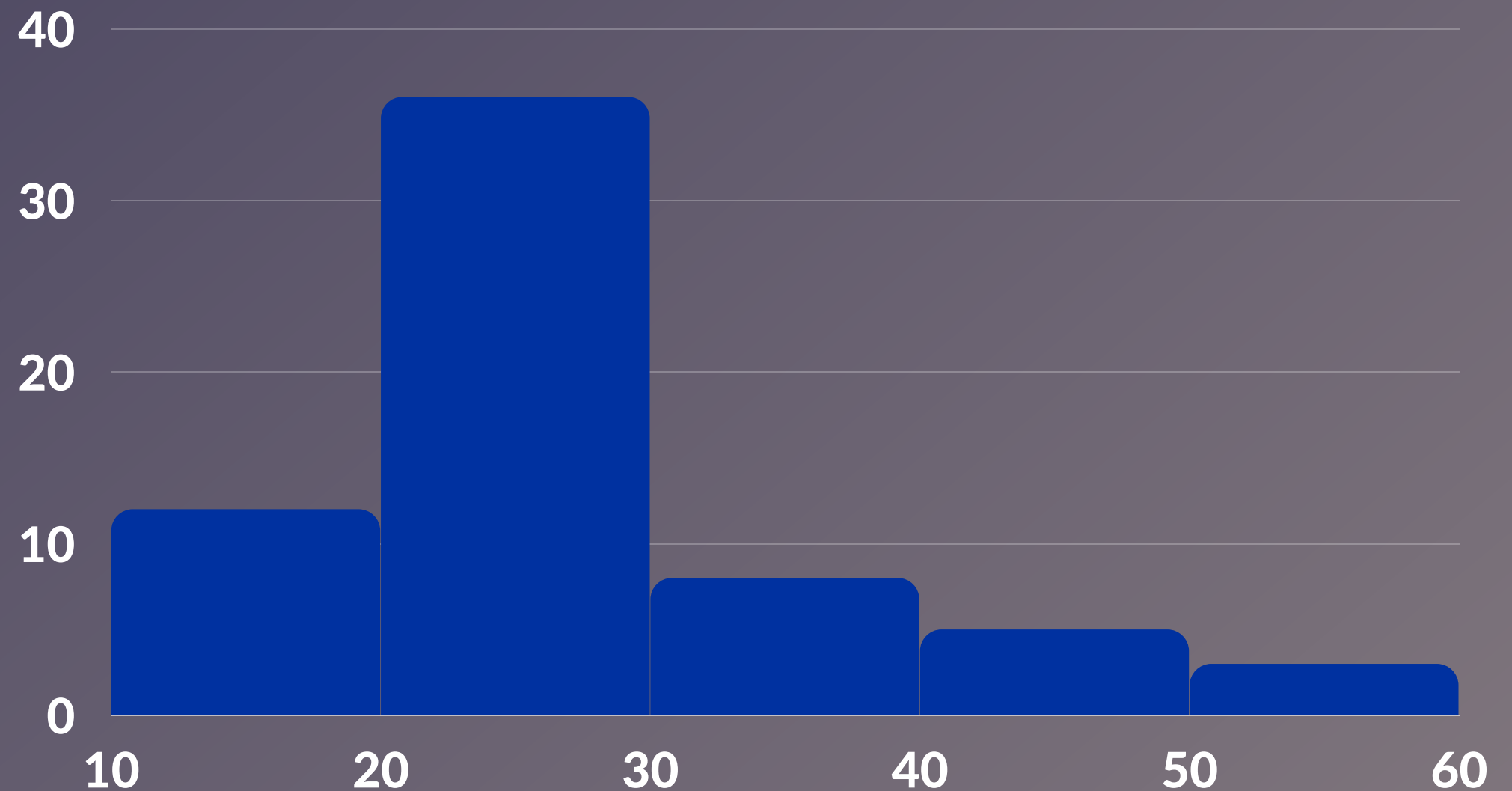


SURVEY DEMOGRAPHICS: 65 RESPONDENTS

Gender



Age Distribution



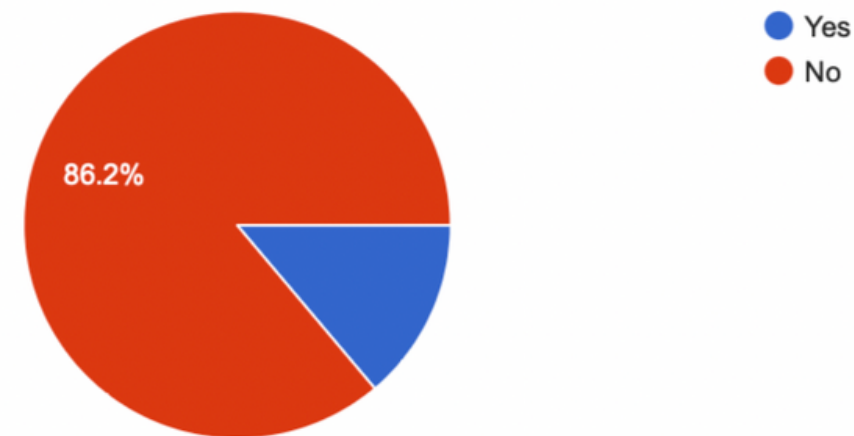
***Majority of our respondents are female & early Gen Z**

RESULTS

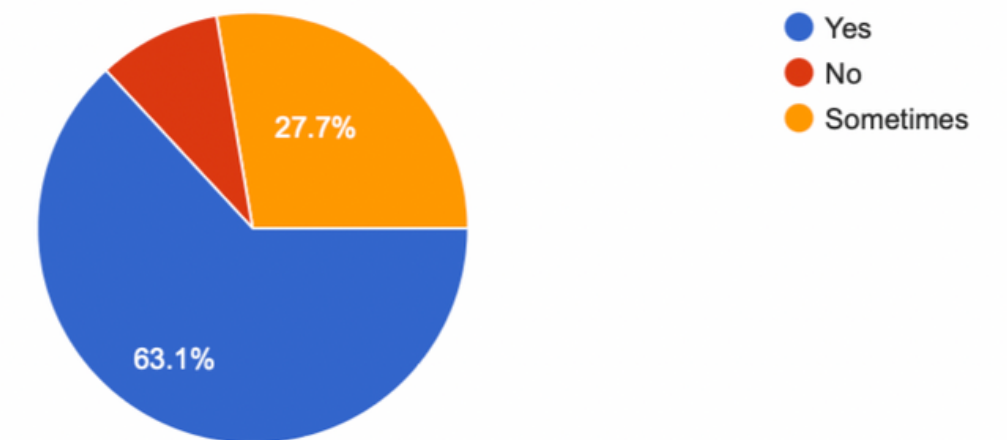
How much money do you think is appropriate for a virtual t-shirt from your favorite artist?

responses range from \$2-\$20

Have you purchased virtual merch (verch)?
65 responses

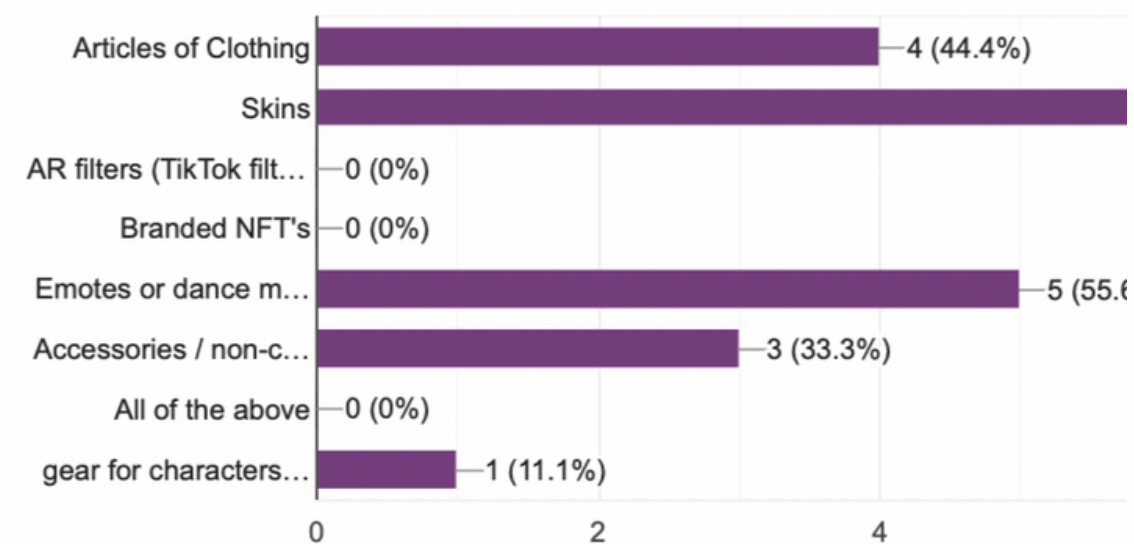


Do you ever buy physical merchandise from your favorite creator or musician?
65 responses

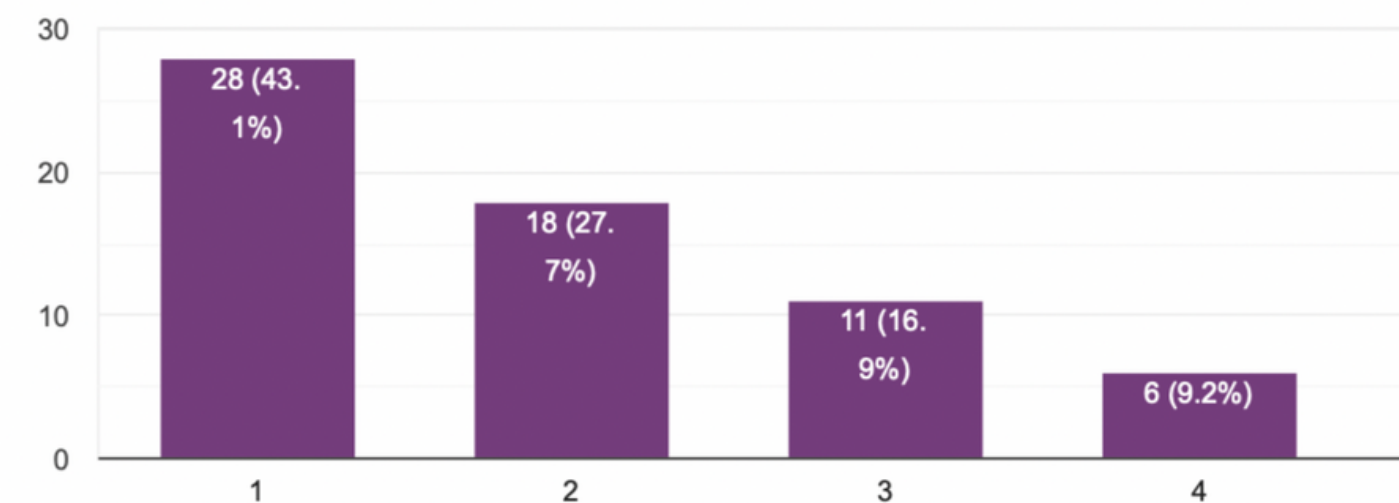


Purchased Verch

What types of verch have you purchased?
9 responses



If you had the opportunity to buy virtual fashion from your favorite creator for a game or online community – how likely would you be to buy it?
65 responses



Key Survey Takeaways

- Top 3 games: 1. Minecraft 2. Fortnite 3. Call of Duty
- More than 63% have bought merch, and around 14% bought verch
- Around 77% have used AR filters on social media
- The range for what people thought was the appropriate amount of \$ to spend on a verch t-shirt from their favorite artist was from \$2-\$20
- Fifa was a frequent response for "what other games do you play"

GEN Z PARADOX



GEN Z & TARGETING AUDIENCES

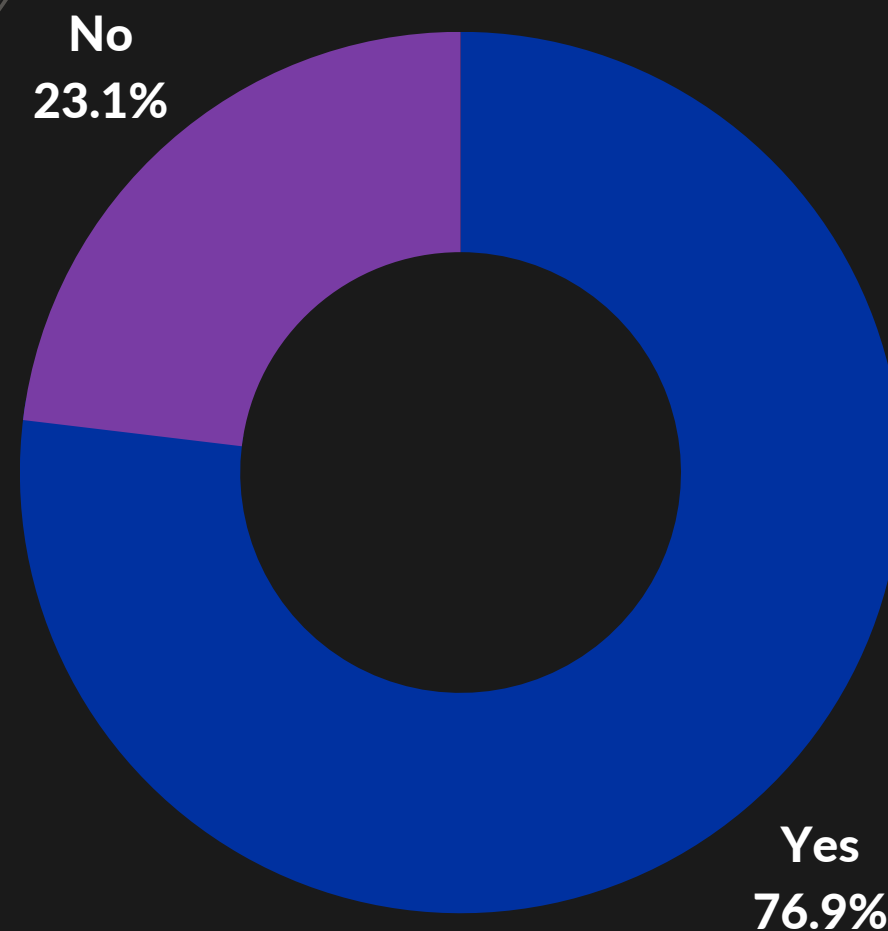
- Gen Z encompasses a large age range that has very different views and experiences with technology
- Tech Savvy v Tech Native
- “Receiving an offer, discount, or coupon on physical products from the brand” = 2nd most important factor in considering Metaverse spaces for adults
- How can we bridge this physical/virtual gap for adults??
 - Connect the two worlds



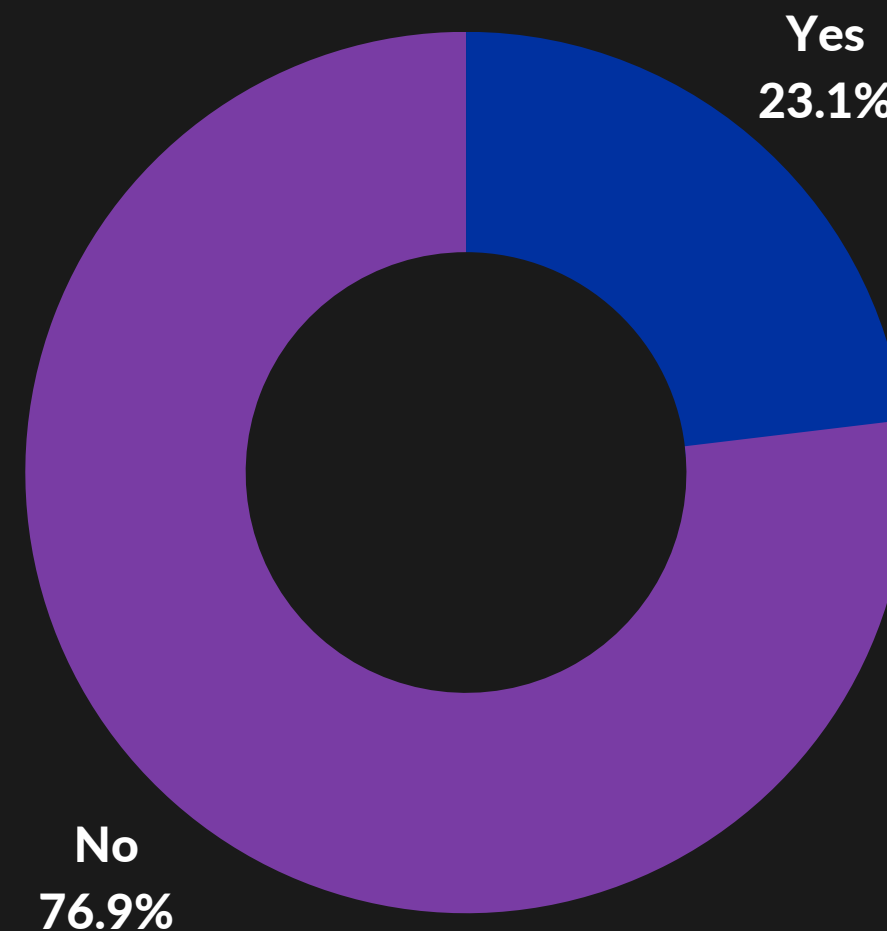
AR FILTERS (AUGMENTED REALITY)

~Only 7% of people said that they would be somewhat likely to purchase verch~

Have you ever used AR filters on social apps (TikTok, Snapchat, etc)?



Would you pay for an AR filter from you favorite creator or musician?



-Users are more open to the idea of paying for AR verch because it is a balance of reality and virtual worlds

BEST METAVERSE PLATFORMS FOR VERCH SALES

ROBLOX



ZEPETO



ROBLOX

Online gaming universe with over 20 million experiences

- Allows for creators and brands to build games, worlds, and micro communities within the metaverse
- Roblox users spend an average of **\$15 for Robux monthly** to spend on avatar upgrades
- In 2021, Roblox paid out over \$525M to companies and creators for verch sales
- \$2B in verch sales last year



66.1M

ACTIVE DAILY USERS



29%

9-12 YEAR OLD USERS
(LARGEST DEMO. GROUP)



38%

17+ USERS (FASTEST GROWING)





FORTNITE

Online Battle Royale survival game released in 2017



- 61% of teenagers have played Fortnite, coming close to 73% for Snapchat according to SurveyMonkey
- Largest demographic group is 18-24 year olds (62.7% of users)
- 69% of Fortnite users spend money on V-bucks to purchase items, upgrades, and verch in the game
- Over \$2B spent in cosmetic avatar upgrades



30M

ACTIVE DAILY USERS

400M

REGISTERED USERS

ZEPETO

- Is a free online game platform and creation system that allows users to design custom avatars and worlds with in-game purchases
- Audience: 70% female, age 18-24
- Asia's largest Metaverse platform, 20M monthly active users
- 1.6B virtual items sold
- Most used Metaverse platform from our survey respondents

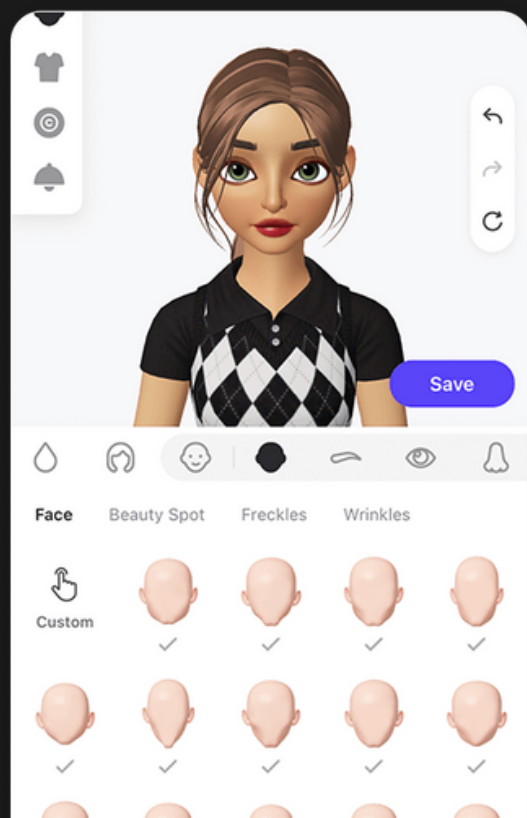


1.5M

ACTIVE DAILY USERS

290M

REGISTERED USERS



CASE STUDIES



ARIANA GRANDE X FORTNITE



 **August 6-8, 2021**

OVERVIEW: A magical 2-day virtual Ariana Grande tour highlighting 6 of her most popular songs and encompassing various aspects of the Fortnite universe.



RECEPTION

- Nominated for "Best Metaverse Performance" at the 2022 MTV Awards.
- \$20 million profit from 3 day event
- 27 million unique viewers



MERCH SOLD

- 2 exclusive and limited skins
- Ariana Grande Outfit w/ Rift Goddess Ariana Variant
- Piggy Smallz Back Bling
- LII' Floaticorn Emote
- Sweetener Sailshards Glider
- 7 Rings Smasher Pickaxe w/ Gem Striker Variant



FEATURES & KEY TAKEAWAYS

- Fortnite motifs
- "Mini-game-style experiences: players slid along a paint-covered slide, bounced around a fluffy world straight out of The Lorax, and piloted a plane to take down former Fortnite raid boss the Storm King."
- In-game quests to unlock items can be played post concert
- The 2 Ariana skins brought in majority of the profits



TRAVIS SCOTT X FORTNITE



ICON SERIES

- "One of the 11 extra Rarity types in Fortnite: Battle Royale. This rarity is used in cosmetics that are based on notable celebrities, artists, and influencers."
- Includes skins, gliders, loading screens, accessories, emotes

OVERVIEW

- An ASTRONOMICAL concert experience which took place in 5 screenings
- Scott performed 6 of his hit songs
- Players were taken for a 15 minute out of body experience



RECEPTION

- 45 million unique viewers
- Made \$20 million from merch sales



MERCH SOLD

- All items of merch total at around \$35
- Icon Series addition
 - 2 special edition skins
 - Travis Scott and AstroJack skin
- Head Banger emote
- Goosebumps wrap
- Diamond Jack tool.

FEATURES & KEY TAKEAWAYS

- Players could unlock a glider by attending the event as well as 2 items and an emote from completing challenges
- Adding skins to the icon series creates an aura of status and clout around it



**HYBRIDIZATION
IS KEY!**

BARRIERS TO VERCH



**NO
PHYSICAL
VALUE**



**LIMITED
METAVERSE
EDUCATION**



**YOUNG
AUDIENCE**

STRATEGIES FOR VERCH SALES



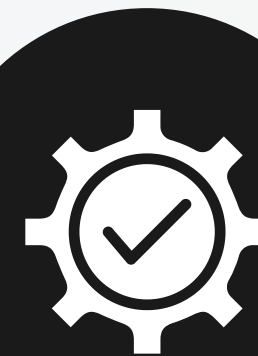
Non-users and skeptics crave the relatability to real life. Including benefits in the physical world may increase peripheral audience sales.

**REAL LIFE
APPLICATION**



Limited edition and exclusive verch releases create a feeling of status and high demand amongst the target audience

SCARCITY



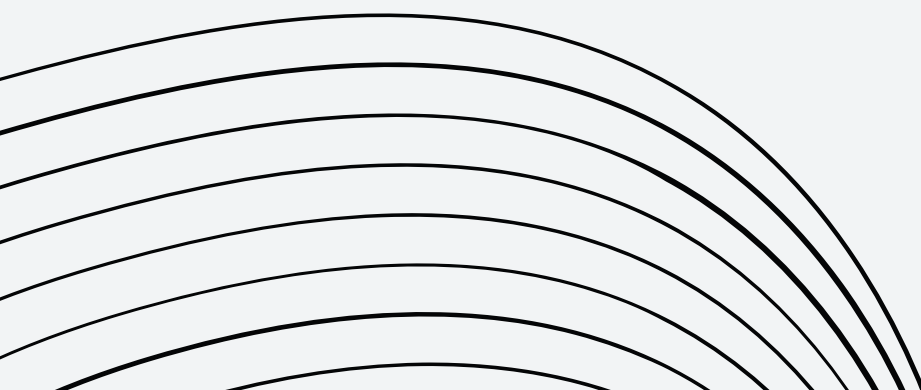
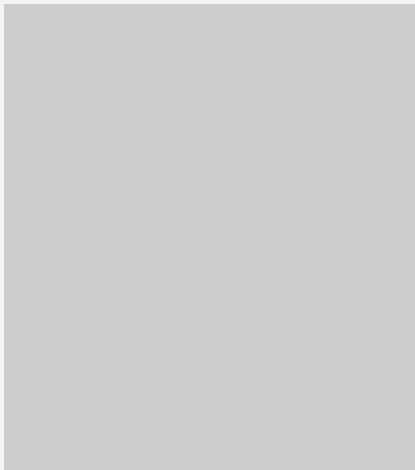
Usefulness of verch within games or interactions makes it more valuable. Most notable is increased status!

UTILITY



RECOMMENDATIONS



1. Utilize Fortnite for Virtual concerts and Verch sales. Skins are known to be desirable amongst players, as well as skins from the Icon Series.
 2. Connect verch to real life to attract older audiences.
 - a. AR filters, connected merch, physical perks
 3. Allow for an easier transition to verch.
 - a. It's new and people are hesitant to invest in new things, especially technology.
 4. EDUCATE ABOUT THE METAVERSE!
 - a. Have artists and influencers spread the word and engage in the virtual space
- 
- 



**NEXT STEPS AND
IDEAS...**

Drake Store

Drake is one example of someone who has created an interactive virtual store to expand his e-commerce offerings. Fans get to experience a tour of his \$100 million custom-built mansion in Toronto while exploring and purchasing exclusive products.

Powered by Shopify's e-commerce platform. Shopify's latest tools allow Drake to partner with other brands for unique merch drops. Shopify mentions that the new collective tools should make it faster and easier for creators to announce and release new products.



MERCH-MALL

An immersive artist-fan experience, where you can purchase physical merch, virtual merch, and connected merch all in one place, while shopping virtually with your friends.



Physical goods
bought or sold

**PHYSICAL
MERCH**

Virtual goods
bought or sold-
skins, articles of
clothing, ar filters,
etc

VIRTUAL MERCH

Physical merch
embedded with
scannable tokens,
providing exclusive
content for fans.

CONNECTED MERCH



Marketing Tactics/User Experience

- 1 Scavenger hunt- tour/album dates
- 2 Exclusive merch drops each month
- 3 A place for Fans to meet and interact
- 4 Verch/merch/connected merch deal packages
- 5 Contests, raffles, store games, music playing in store, etc





Voice Activated Web for commerce

It combines voice recognition technology with online shopping on your website. It allows users to browse, search, and make purchases using voice commands through their devices like smartphones, smart speakers, and other voice-enabled gadgets.

Voice assistant e-commerce transaction value is expected to hit \$19.4 billion worldwide by the end of 2023, a 400% increase from 2021.

New Features: Personalized shopping experience, Voice-activated loyalty programs, virtual shopping events.

finish the lyrics to win a prize

33% of businesses surveyed for Square's Future of Retail report said that they were interested in providing AR and VR experiences, and 39% of Millennial and Gen Z shoppers are interested in AR and VR shopping.

The global AR market is expected to rise up to \$128 billion by 2028.

Obsess

– a company that builds and designs virtual worlds in the metaverse

Features:

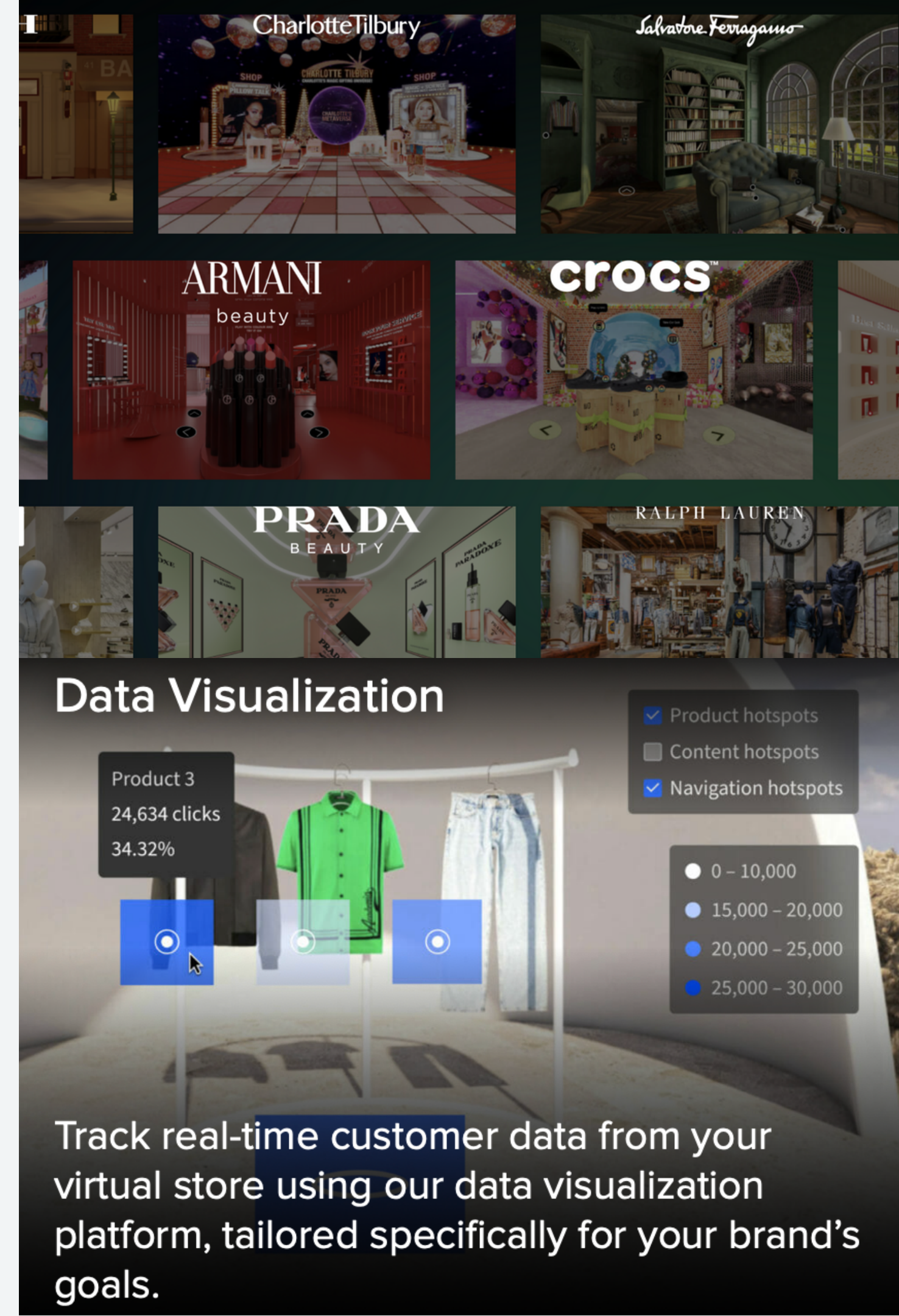
- Shop with friends
- Virtual events
- Branded avatars
- Custom Gamification
- Interactive media

Technology:

- Patented 3D tech
- E-commerce Integration
- Third-Party Integrations
- Data visualization
- cross-device

Impact:

- 10x increased time spent
- 112% higher checkout likelihood
- 110M+ consumer engagements - in obsess powered virtual stores



**THANKS FOR
WATCHING!
ANY QUESTIONS?**



**WARNER
MUSIC GROUP**

