The state of virtual brand experiences Part II

GEEIQ

geek noun \ 'gēk \

Terms you need to know

There are a lot of terms and phrases in this report which you may or may not recognize. Below is a short summary to make it a little easier for you to digest the data.

Virtual worlds:
These are platforms like Roblox, Fortnite, ZEPETO and The Sandbox. Some call them games, others call them metaverse platforms. Blockchain-based or not, we call them virtual worlds.

Brand experiences:
These are brand-owned virtual experiences that exist within virtual worlds. They are created and owned by the brand. Think Gucci Town in Roblox.

Brand integrations:
These refer to when brands integrate themselves into existing virtual experiences for a time-limited period. Think L'Oreal Paris in Roblox's non brand-owned experience, Livetopia.

Brand activations:
This covers both of the above. It encompasses any brand activity in virtual worlds.

Virtual brand activations showcased on the graphs in this report are identified by GEEIQ and based on public information, as well as private data partnerships, as of January 11th 2024.

Brands in virtual worlds in 2024

Tracking 2023's brand activity in virtual worlds has painted a picture of what, at least for now, remains a vast landscape of walled gardens that offer very different opportunities to their respective communities.

Brands are clearly becoming more mature in this new communication vertical. Not only are they more consistent and confident, but the ways in which they're activating continues to diversify. And the creative boundaries are constantly being redrawn by both the brands and the platforms themselves.

In 2024, I anticipate more integrations, and I expect the release of Apple Vision Pro to have knock-on effects on platforms that lend themselves to being VR-native, such as Rec Room and VR Chat. Immersive e-commerce platforms may find a more natural home here too, which the likes of Emperia and Obsess could stand to benefit from.

Looking at the data, brand activity in Web3 virtual worlds - Decentraland, The Sandbox - has clearly declined. Failing a major consumer behavioural change in 2024, I don't see this changing. Ultimately, it's where the eyeballs are that defines what success is. Press being the litmus for success can only tell so much.

Despite the naysayers, the data is clear. Brands entering the virtual landscape has been growing quarter on quarter, and continues to set new records, with over 700 brands and 1000 activations at the end of Q4 2023. With no signs of decline, brands are continuing to double down on this opportunity.

Like any communication vertical, understanding the platforms you're entering is paramount to meeting objectives. It's very evident that the most successful brand experiences are those that take a data-led approach. This is no different to the most successful social media or television strategies.

As we look forward to 2024, the attention economy continues to transition towards immersive communication. This year, consumers in these spaces will be older, more influential and will have stronger purchasing power. And the platforms themselves will continue to facilitate new opportunities for brands to connect with their audiences in more meaningful ways than ever before.

Charles Hambro,
CEO & Co-Founder

The attention economy is changing

2023 was a watershed year for brands in virtual worlds, with more activations than ever before.

And 2024 will be no different for this new communication vertical.

In this second report, 'The State of Virtual Brand Experiences Part II', GEEIQ digs even deeper into the data to reveal new insights from the second half of 2023, to map out this vast landscape for 2024 and beyond.

- What are the opportunities today?
- Which platforms are brands winning in?
- What are the different routes to success for brands in these worlds?
- And will the trends we identified in 2023 come to fruition in 2024?

Let's get into it.

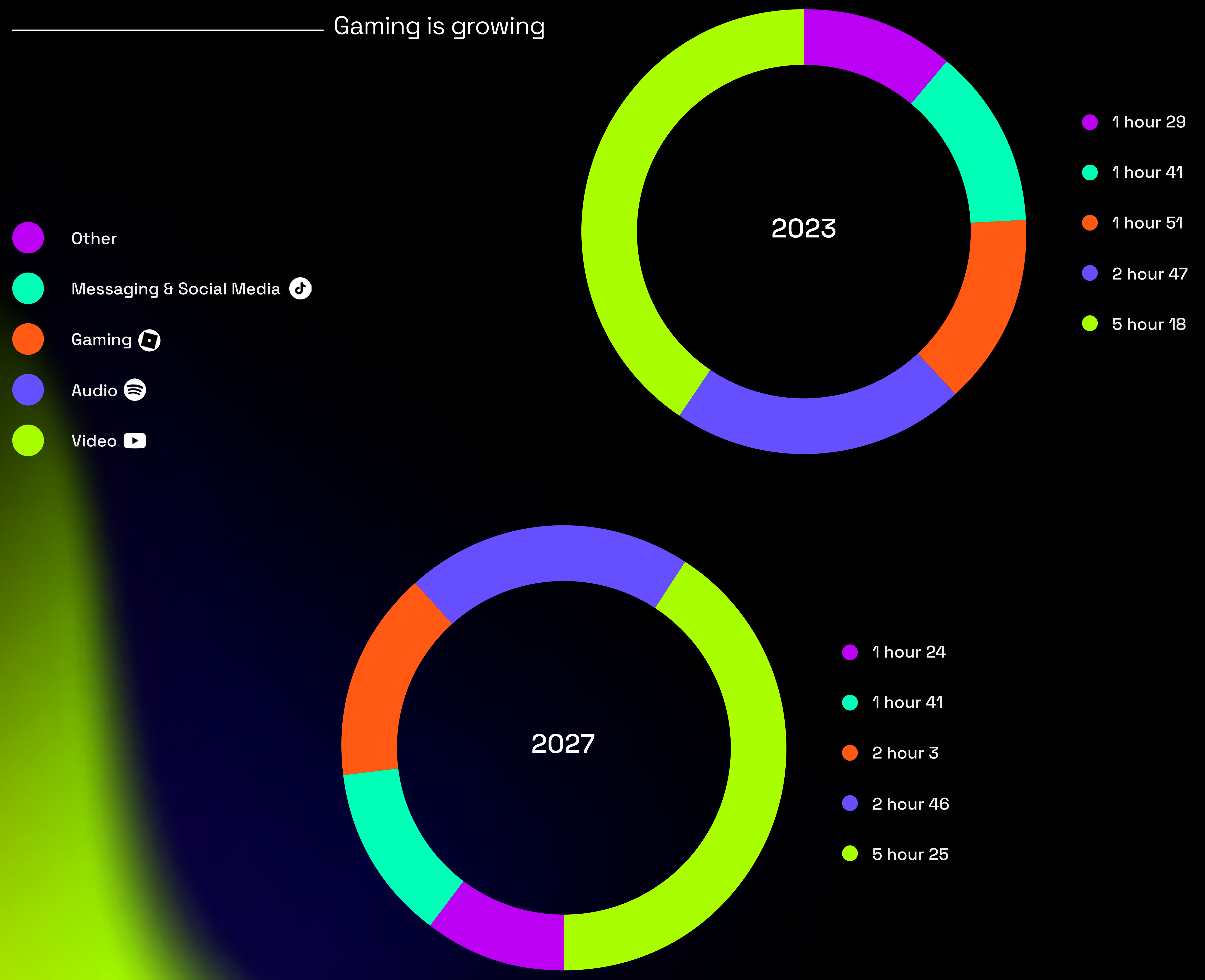
A new communication vertical

Virtual worlds are not only on the rise, but when it comes to capturing attention, they are surpassing traditional social media.

Between 2023 and 2027, people are expected to increase their daily gaming time to 2 hours a day.

In contrast, social media usage is predicted to stagnate, holding steady at 1 hour and 41 minutes per day.

Activate analysis, Activate 2023 Consumer Technology & Media Research Study (n = 4,023).

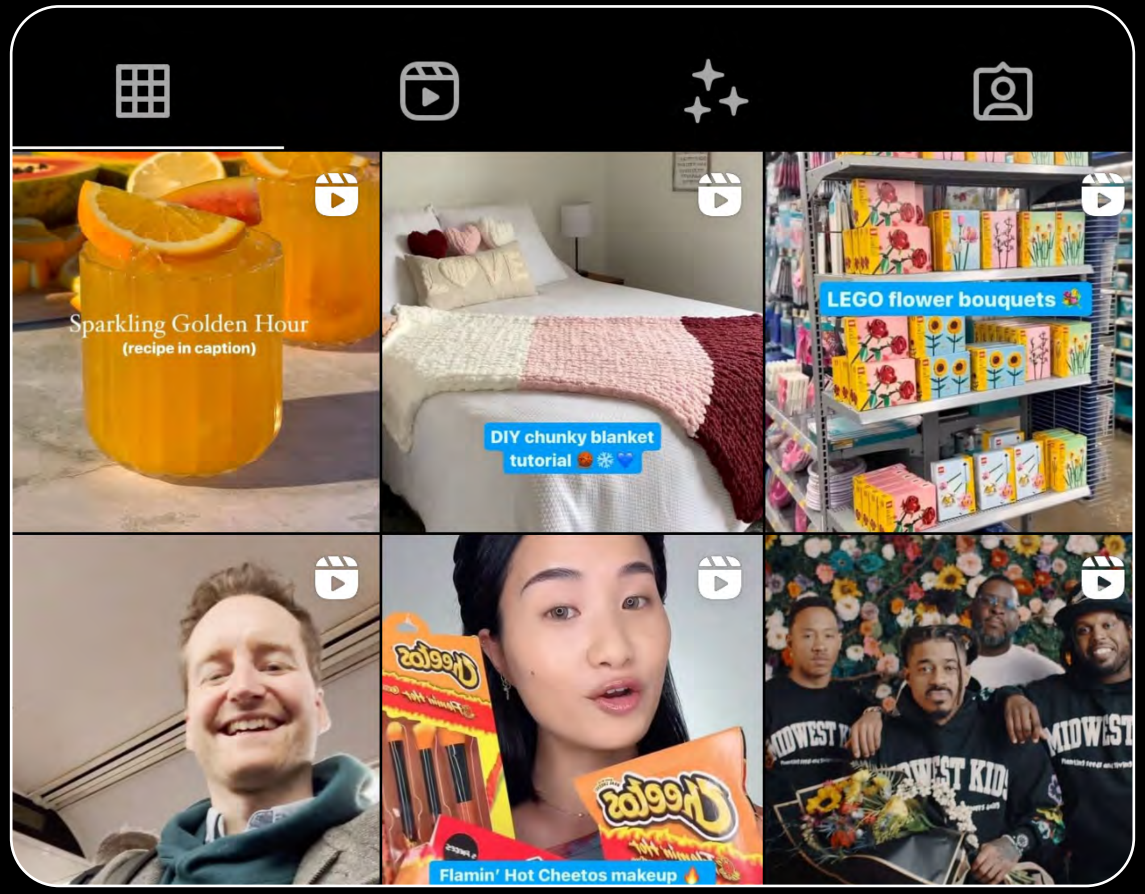


From passive to immersive communication

Print, TV & radio
The passive experience

Prior to the 21st Century, brand advertising and communications was passive. Consumers were marketed to through traditional print media, radio and television.

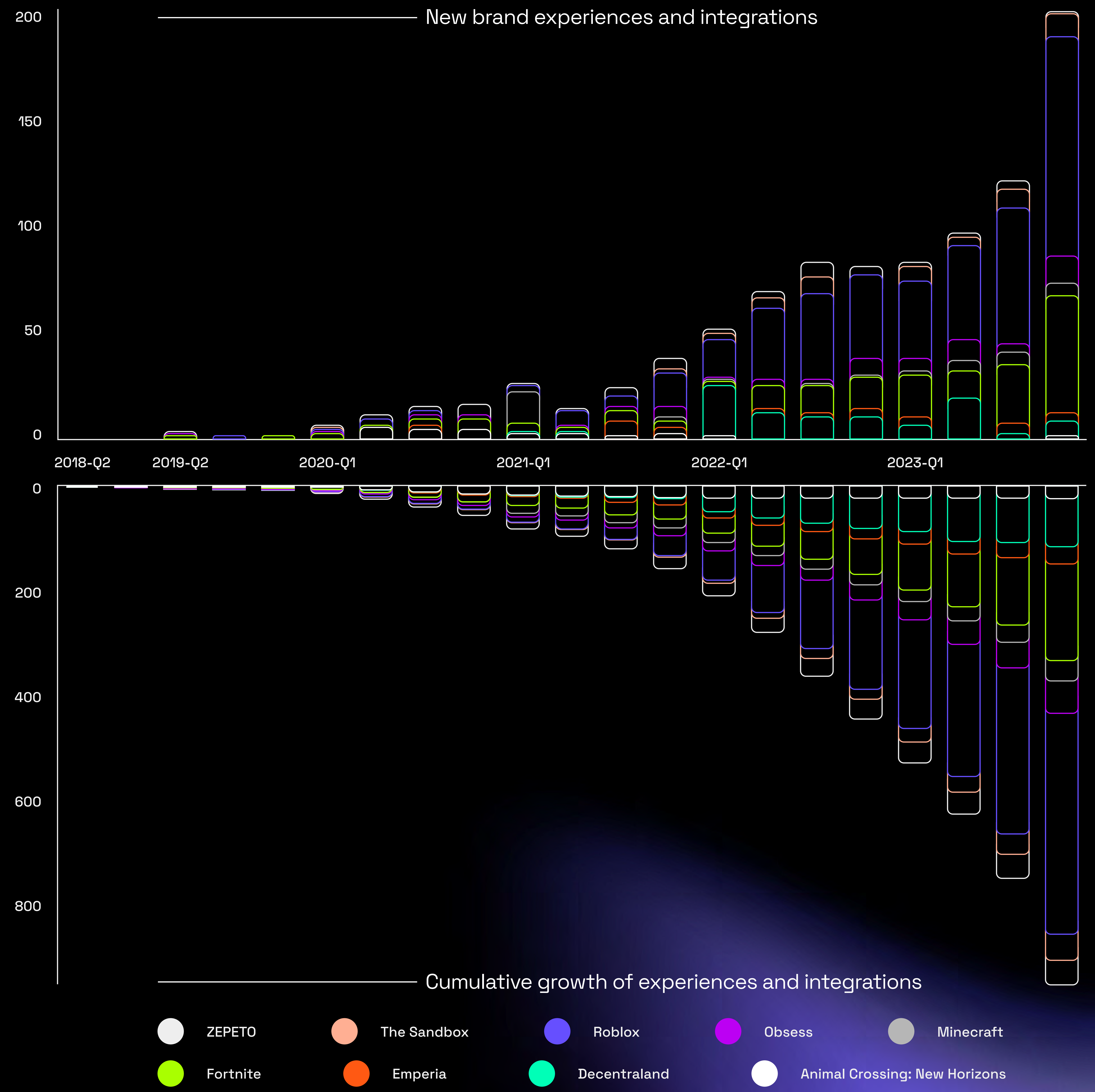
Social media
The social experience



With the new millennium came the Internet as a medium for brands to sell and consumers to interact. Platforms like Twitter and Instagram integrated brand advertising into social experiences.

Virtual Environments
The immersive experience

As traditional social media usage plateaus and gaming grows, brands are looking to virtual, immersive worlds like Roblox and Fortnite as new routes to engagement and monetization.



New brand experiences & integrations

In the previous 'The State of Virtual Brand Experiences', we looked at the data for the first half of 2023.

In this report, we look at the entirety of 2023, with a focus on Q3 and Q4, which continued to set records for new brand experiences, and integrations into existing non-branded experiences.

Across the nine platforms we tracked in the previous issue, **Q4 2023 saw the largest increase per quarter on record, with 67% growth in new experiences and integrations.**

The data is clear: Brands are becoming more confident in virtual worlds as a realistic source of new audiences and revenue. This is no longer just a branding exercise.

As we move out of the testing phase, virtual worlds budgets are moving from innovation teams to marketing teams, with traditional marketing KPI's attached to them - like social media, paid media, or any other digital channel.

Source: GEEIQ

The changing landscape of virtual worlds

So, what about the virtual worlds GEEIQ tracks that didn't feature in our previous report?

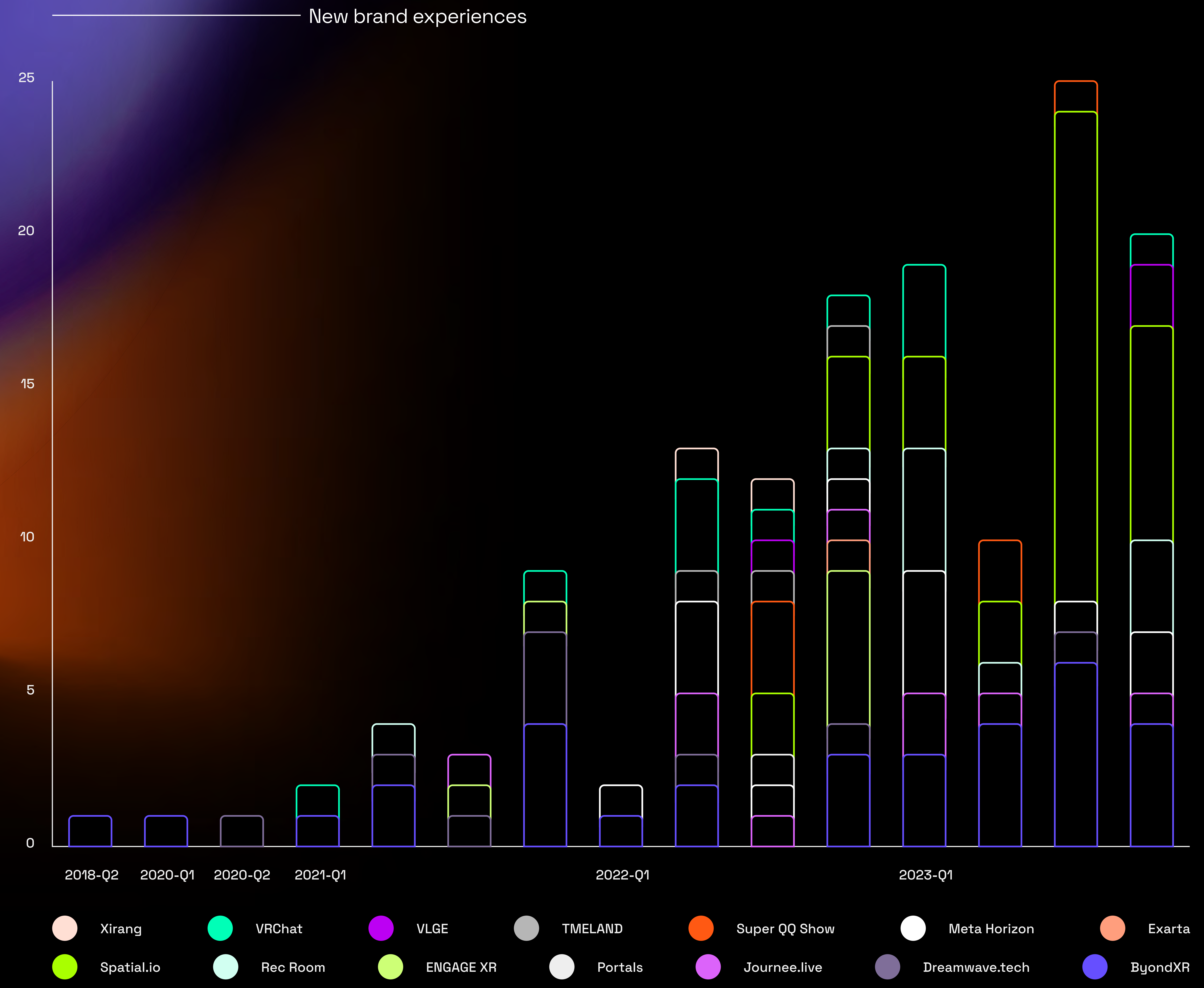
Rec Room, which will be available on Apple Vision Pro when it launches later this year, welcomed eight new brand experiences in 2023, compared to just one in 2022.

Spatial.io saw four new brand experiences in the first half of 2023. In Q3 and Q4, it saw 23 new brand experiences on its platform. That's a 475% increase.

Interestingly, Journee remained totally consistent from 2022 - 2023. In 2022, it saw four new brand experiences. Last year, it welcomed four more new brand experiences.

While VR Chat welcomed five new brands in 2022 and four in 2023. Will the continued development of VR technology be reflected in brand activity?

Source: GEEIQ



By the end of Q2 2023:

+350

brands in virtual worlds

+500

brand activations in virtual worlds

By the end of Q4 2023:

+700

brands in virtual worlds

+1000

brand activations in virtual worlds

The current landscape

GEEIQs platform shows us that over 350 brands had activated in virtual worlds by the end of Q2 2023, with over 500 activations. The number of activations outweigh the number of brands, because brands like Nike have created experiences across Roblox, Fortnite and ZEPETO.

By the end of 2023, this had grown to over 700 brands that had activated in virtual worlds, with over 1000 activations.

There are now more brands in Roblox alone than there was across every platform GEEIQ tracked in our previous report.

So, how is Roblox doing it?

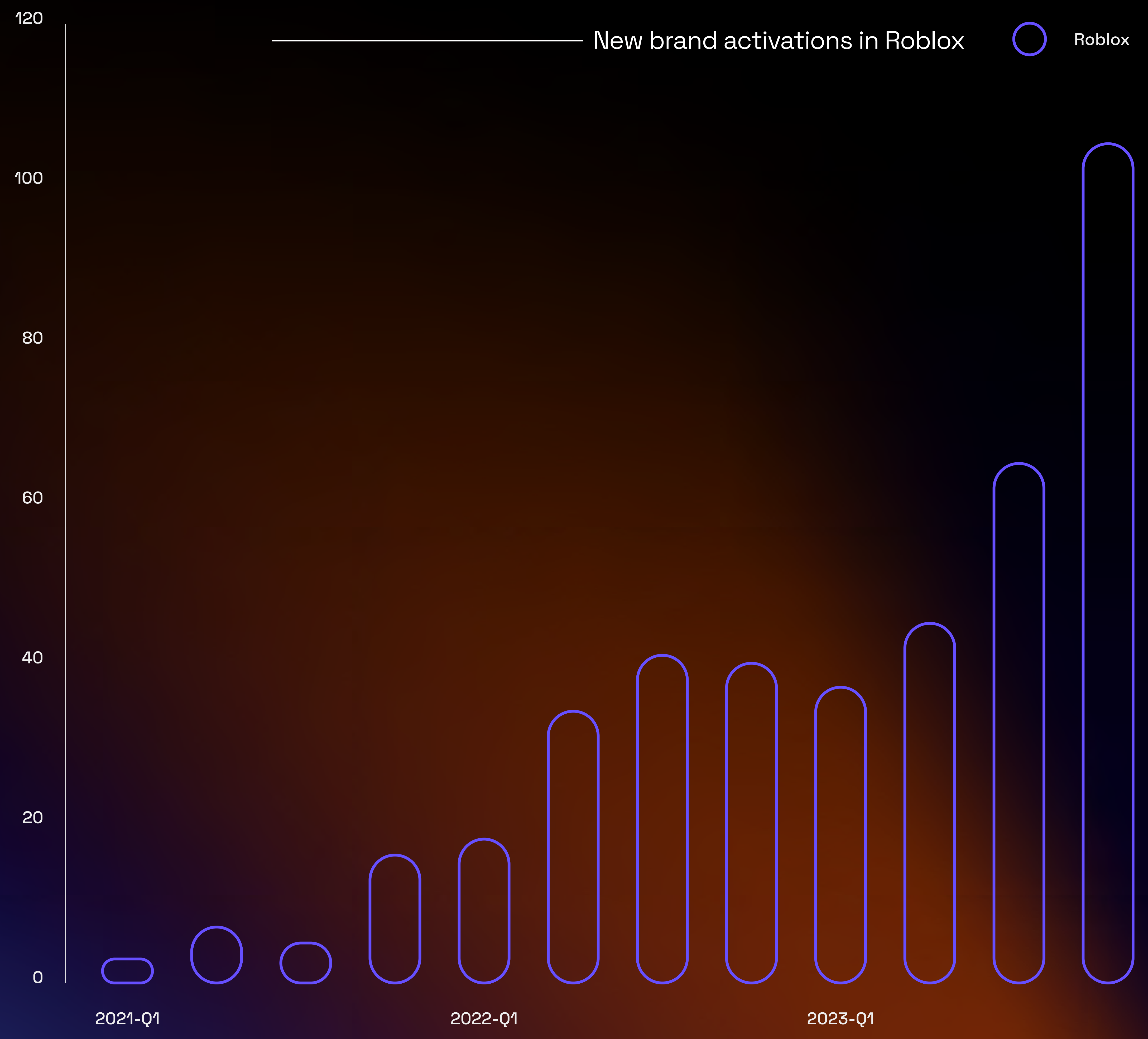
The long reign of Roblox

Among the platforms GEEIQ tracks, Roblox has maintained the largest share of new brand experiences and integrations since Q2 2022.

And there are no signs of this slowing.

GEEIQ recorded 106 new brand-owned experiences and integrations in Q4 2023, a 63% increase on the previous quarter. Q2, Q3 and Q4 2023 each set a new record for brands activating on Roblox. These are not cumulative, they reflect the creation of new activations.

Source: GEEIQ



> Q2, Q3 and Q4 of 2023 each set a new record for the number of brands activating on Roblox.

Roblox's evolving ecosystem

As Roblox's ecosystem expands, with features such as Immersive Ads, the barrier to entry for brands continues to lower.

The platform's attractiveness to brands will only keep growing as Roblox continues to innovate and enrich its offering, with real-world purchasing on the horizon.

Roblox went from **170 brand activations at the end of 2022, to over 400 by the end of 2023.** GEEIQ anticipates this will far surpass 500 by the end of 2024.

Source: GEEIQ

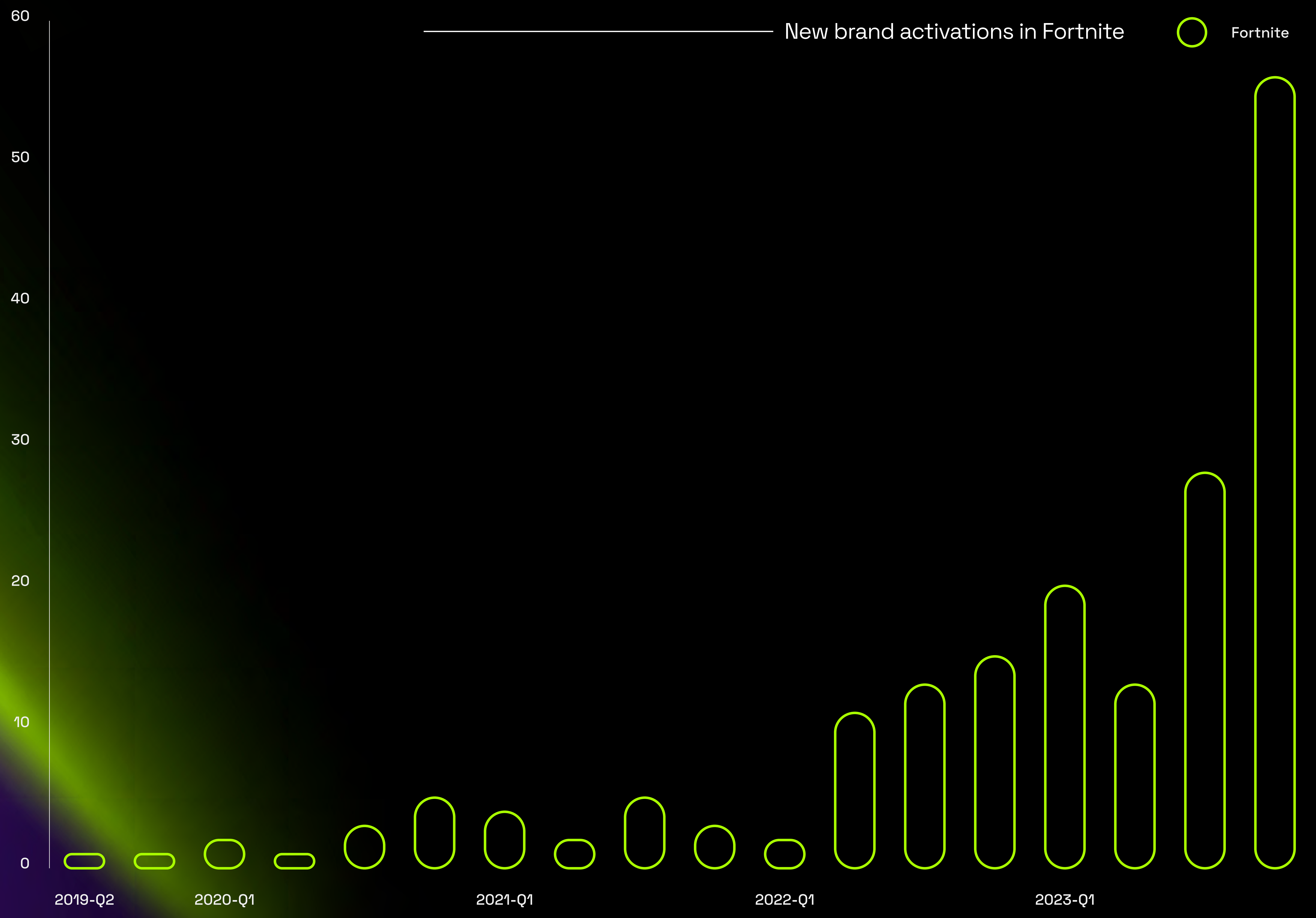
The rise of Fortnite

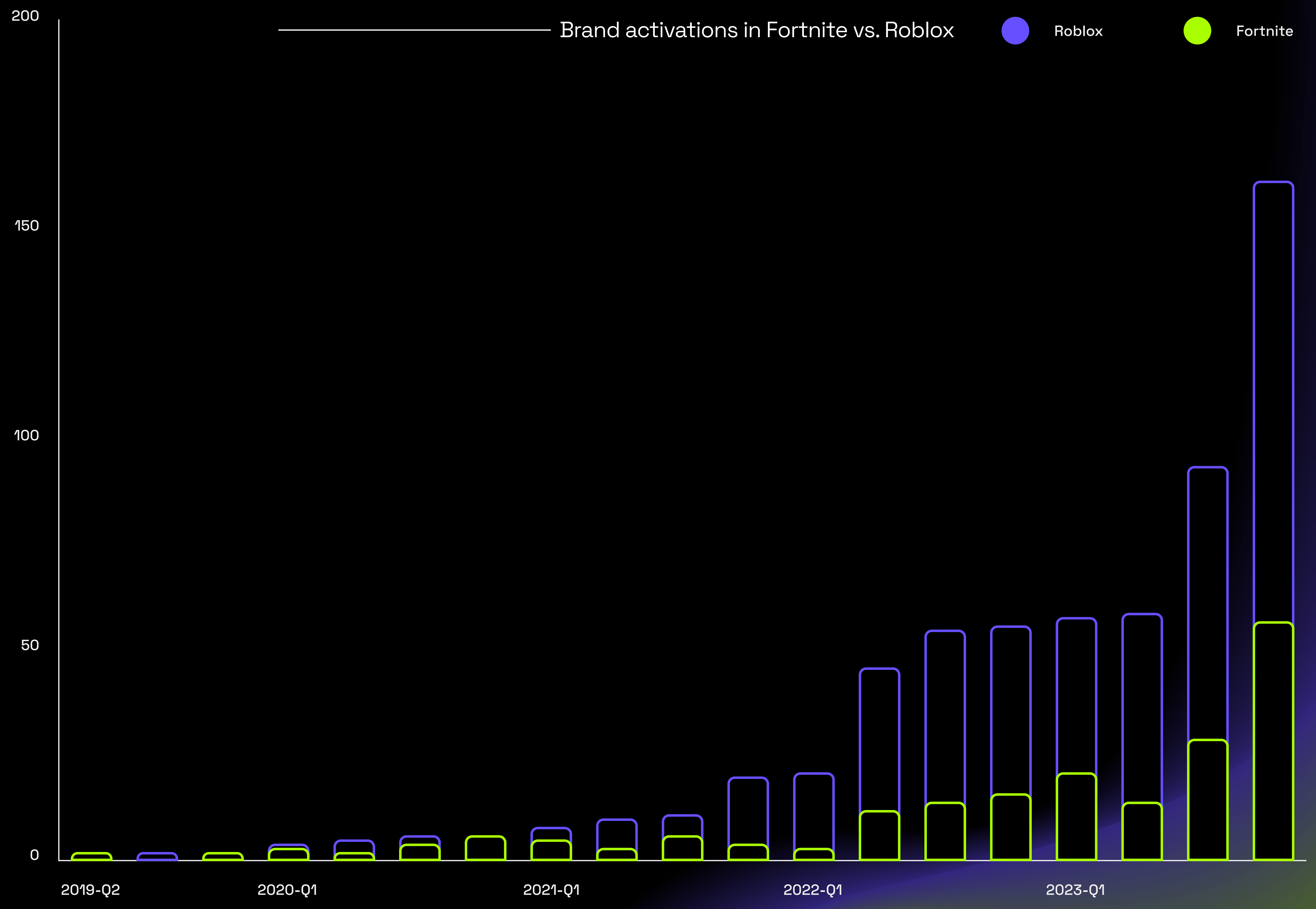
The second half of 2023 saw the largest number of new brand activations on Fortnite to date. **In Q4 2023 there were 56 new brand activations, double that of the 28 activations in the previous quarter.**

In Q4 2023, Fortnite welcomed back-to-back record breaking releases, with OG Fortnite in November and LEGO Fortnite in December. The latter reached one million concurrent users within one hour of launch.

It's clear that Fortnite is growing as an ecosystem, but how does that translate to the success of brand activations on the platform?

Source: GEEIQ, Epic Games





Is Fortnite a challenger for the crown?

When compared with Roblox, Fortnite still has considerable ground to cover. It has high fidelity, it's enjoying consistent growth with brands, and its user base continues to scale.

But it also faces challenges. The ability to create UGC (user-generated content) for avatar customization is one factor that contributes to Roblox's dominance. This is not yet possible in Fortnite, but is likely to change in the near future.

Likewise, the developer community is much smaller in Fortnite, making the barrier to entry higher, as brands are limited in choice.

In December 2023, Paraiso Do Sovaco, a Fortnite map by Personal Care & Cosmetics brand, Old Spice, had one peak active player. Meanwhile, the Roblox experience NIVEA Tower Run had 363.

But the future is bright for Fortnite. Its aesthetic and growing user base continues to make it a competitive proposition for brands. One of its key challenges lies in developing an ecosystem that will enable brand activations to gain more traction.

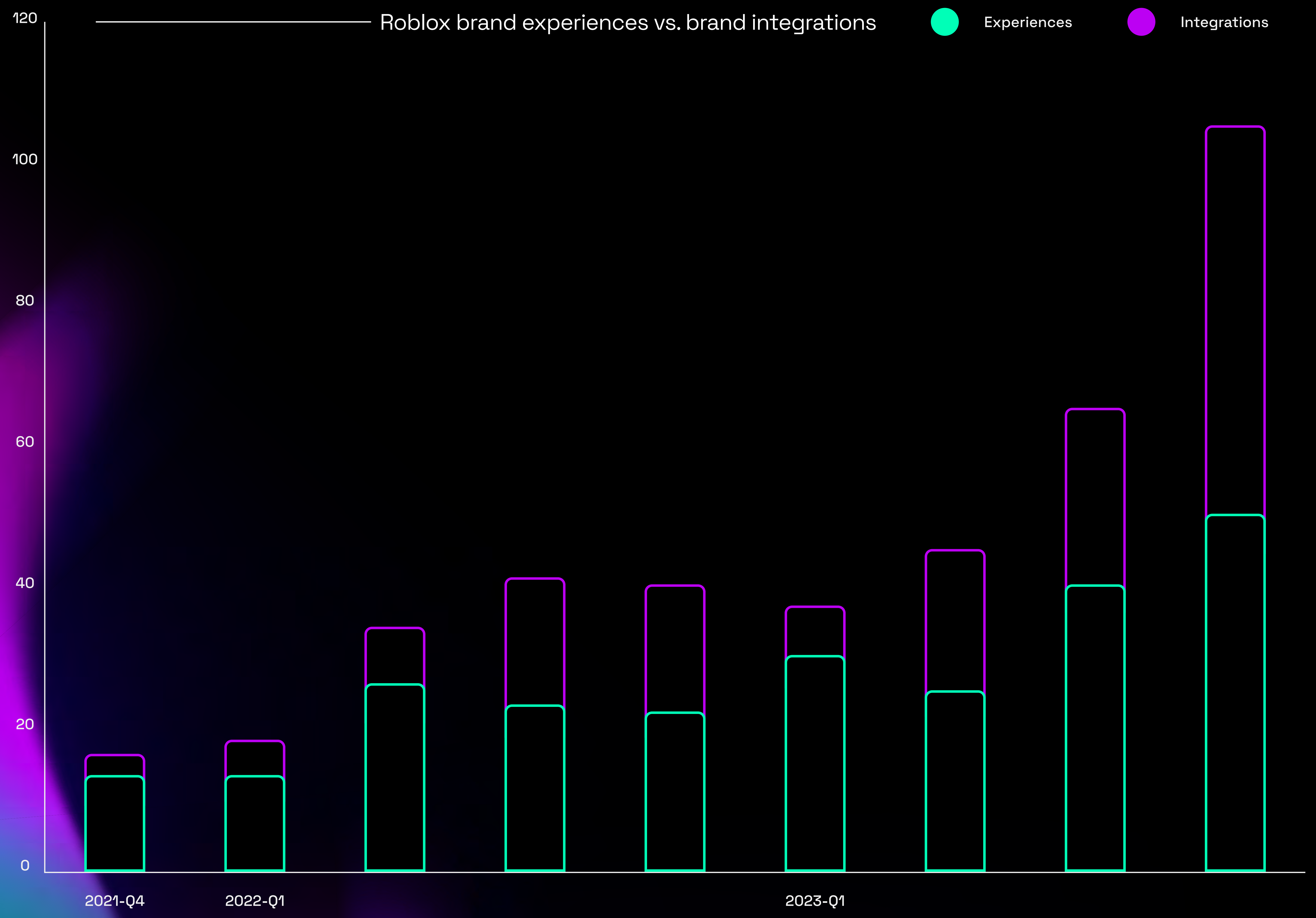
Integrations vs. brand experiences

A trend that GEEIQ identified in the second half of 2023 was the rise of brand integrations into existing experiences.

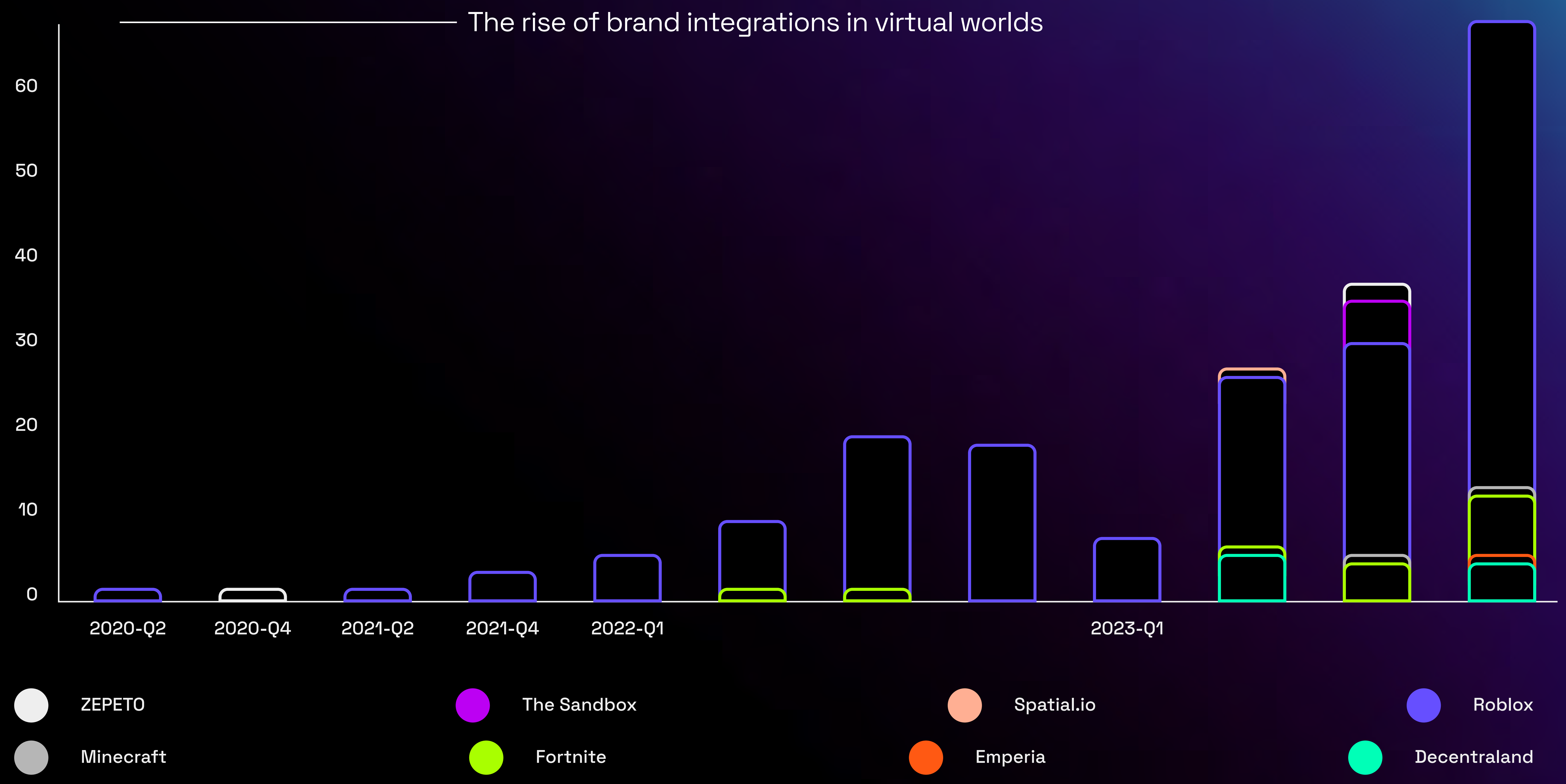
While brand experiences continue to grow, so do integrations. In fact, the data shows that **brand integrations on Roblox are growing at a faster rate than brand experiences.**

According to GEEIQ's calculations, **brand integrations on Roblox alone increased 110% YoY in 2023.**

So, why are brands embracing integrations, and why was 2023 a pivotal moment for this specific route to activation?



Source: GEEIQ



Seamless integrations

In Q3 2023, 37 new brand integrations took place across the platforms in the adjacent graph.

In Q4 2023, there was a total of 69 integrations, while in Q1 of the same year there were just six. **That's a 72% increase from Q1-Q4 2023.**

If creating your own brand experience is like setting up a Instagram account and starting from scratch, an integration is paying Kim Kardashian to showcase your product to her 364 million followers.

Integrations work well for campaign-based activations. For example, they suit Media & Entertainment brands well when promoting an album release or an upcoming movie.

They also lower the barrier to entry for brands looking to Roblox as a means to test and learn.

Integrations: Roblox's Livetopia

We sat down with Jason Stayaert, who oversees all Roblox global brand partnerships for Century Games, the team behind Livetopia. Livetopia is an unbranded experience that's had over 4 billion visits since launching in 2021.

Why are brands integrating into Livetopia?

Games like Livetopia have built-in and loyal communities. Rather than needing to acquire users and get players to buy into a new experience, we can give a pretty good snapshot of the users and their behaviors from the onset. This gives brands some reassurance that their messaging will be seen and heard.

Our data shows that the frequency of brand integrations is increasing. Is this true for Livetopia?

While 2022 had more integrations [in Livetopia], their size and complexity grew in the second half of 2023.

For Century Games, we're not necessarily trying to do more, but rather space them out throughout the year and be more strategic in what brands fit the game play.

What are some of the most successful integrations into Livetopia?

The most successful integrations have been those that have a natural fit within the environment. Rainbow High worked because we didn't push the brand on the player. Instead, players get to explore the high school, meet the students, play mini games, shop in the school store and occupy dorm rooms. This continues to see millions of monthly visits over a year after any promotion ended.

Other successful integrations are clothing companies and entertainment IP such as Illumination's Migration and Dreamwork's Trolls Band Together. Clothing brands work because players tend to follow fashion trends and this gives them a reason to connect on a more personal level with their style.

On the other hand, movie promotions serve a very specific purpose and are built around brand impressions and immersive trailer engagements within the 4-6 week window. We can load the game with multiple touch points around the map so players can organically interact with characters and/or stumble upon the promotion without feeling like they are being forced an advertisement. The characters themselves serve a certain levity with which players can relate, all the while giving away free in-game prizes or UGC that will make the players happy.

What does the future look like for integrations into Livetopia?

"The next phase of Livetopia and Century Games is to develop longer, more strategic partnerships where brands or companies are interested in having a permanent place in Roblox. Because Livetopia is a role play world, we can essentially start looking at the digital world as if it were IRL.

From going to the movies, shopping with your friends or seeing sports games and music concerts, we're looking for those partners who want to leverage our tens of millions of users to develop a long term presence within the community.

What plans do you have to bring more brands into Livetopia?

“We are always looking for, and open to, new brands coming into Livetopia and our other Century Games experiences. In 2024, we’re considering launching two new experiences that would fit seamlessly within the Century Games umbrella where they will leverage the portfolio’s exiting player base.

While we are still considering brand partners, each experience will be designed with role play in mind as we feel this genre has the most opportunity to connect with the largest audience for the longest period of time. In Q1 2024, we’re launching a first of its kind integration in Livetopia where multiple brands will partake. You’ll have to wait and see!”

What makes Livetopia different?

“Every Roblox experience will likely say they have the best fans on the platform. But with Livetopia having been around for only a couple years, we are seeing the loyalty is truly one of a kind. Players love seeing our weekly updates and are open to trying new things with their friends. We purposefully keep the experience a place where players can explore whatever they want. This is why our tagline is “It’s Your World!”

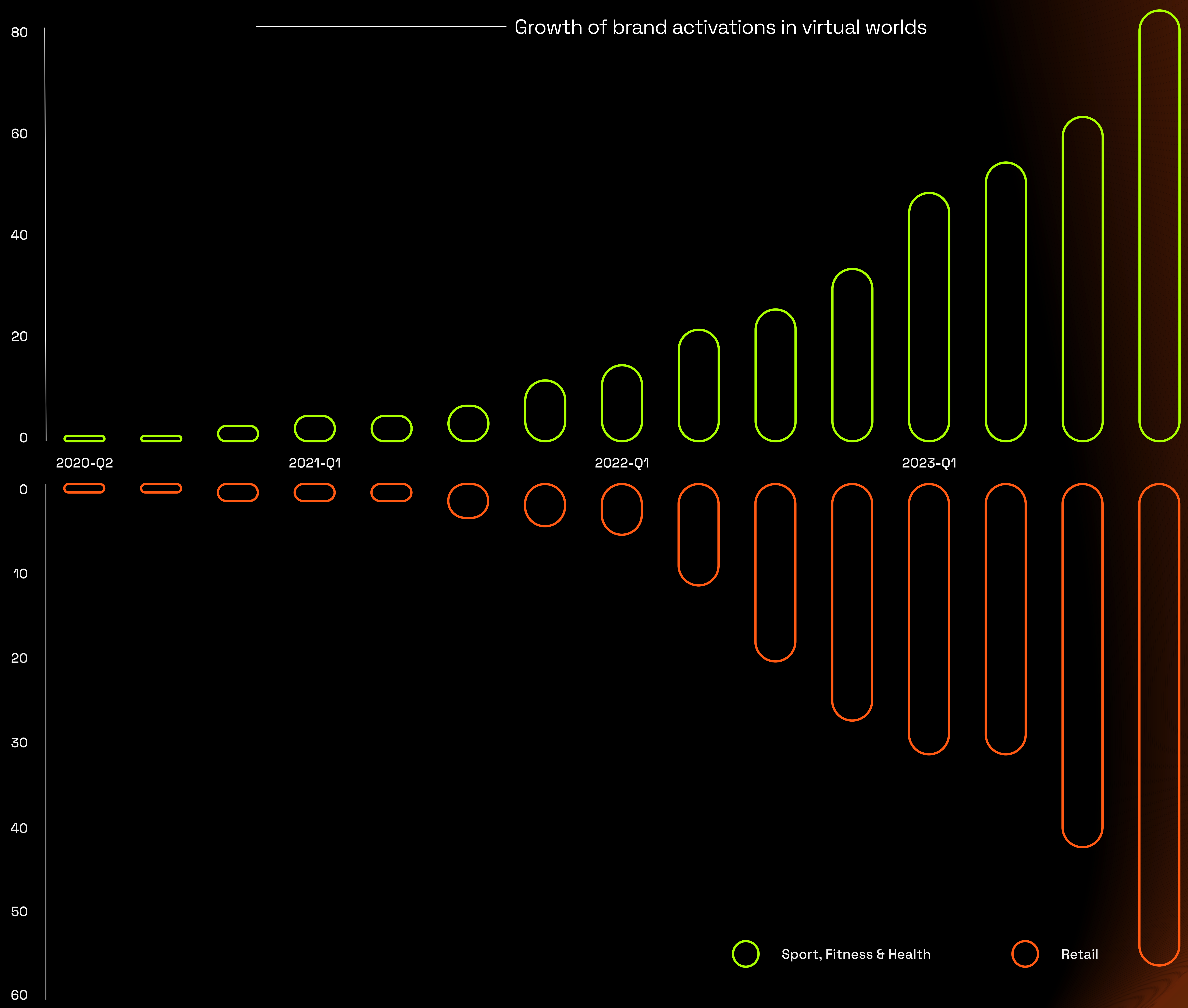
Integration vs. experience

L’Oreal Paris time-limited integration in Roblox experience, Livetopia

November 2023

NIVEA Tower run persistent Roblox experience

December 2023



Growth industries

In our previous report, we projected major growth for key industries in virtual worlds by 2025, including Sport, Fitness & Health (+250%) and Retail (+321%).

So, how did these verticals fare in 2023 and what's in store for them in 2024?

Sport, Fitness & Health saw 213% growth in brand experiences and integrations in Q4 2023 compared with Q4 2022, while Retail saw 57% growth across the same date range.

Source: GEEIQ

Shifting verticals

Media & Entertainment saw rapid growth in virtual worlds in 2023. In the first half of the year, there from 35 new brand activations from this vertical. In the second half, there were 90. **That's a 157% increase, far exceeding GEEIQ's prediction in our previous report.**

In Q2 2023, there was **more new activations by Media & Entertainment brands than by Fashion & Apparel brands,** the leading industry in this space. This was also the case for Q3 and Q4. Cumulatively however, Fashion & Apparel still leads with more virtual activations, but only just.

Across the platform GEEIQ tracks, Media & Entertainment has a total of 202 brand activations, just five behind Fashion & Apparel.

What will this look like at the end of 2024?

New brand activations by industry

	First half of 2023	Second half of 2023
Media & Entertainment	35	90
Fashion & Apparel	31	49
Food & Drink	24	44
Retail	4	24
Automotive	5	8

Observations of change in 2023

In the first 'The State of Virtual Brand Experiences', we made four key observations based on the data for the first half of 2023. But how did they hold up by the end of the year?

FORTNITE

The prediction

Fortnite has been growing consistently and is gaining momentum.

The verdict

The second half of 2023 saw record quarters for brands entering Fortnite. New experiences and integrations grew 240% in Q4 2023 vs. Q4 2022.

ROBLOX

The prediction

Roblox has remained consistent throughout this period.

The verdict

Consistent growth is what make Roblox the undisputed leader in this space. New experiences and integrations grew 140% in Q4 2023 vs. Q4 2022.

Decentraland

The prediction

Decentraland hype did not equate to brand growth.

The verdict

Q3 and Q4 2023 were the worst performing quarters for brands entering Decentraland since 2021, decreasing 70% from Q4 2022 to Q4 2023.

Source: GEEIQ

Predictions of change in 2024

Rec Room is a dark horse. As well as offering UGC items (unlike some of the bigger players), it's VR-ready and will also be available on Apple Vision Pro when released. It's one to watch in 2024.

Another potential beneficiary of Apple Vision Pro, VR Chat might enjoy another lease of life in 2024. In its tenth year of existence, will it see an increase in brands entering its ecosystem?

When it comes to brand experiences, ZEPETO trails only behind Fortnite and Roblox. Outperforming the likes of Minecraft, we predict consistent growth for what is one of the most social platforms available today.

Obsess and Emperia are also likely to capitalize on Apple's embrace of VR. 3D shopping environments don't necessarily lend themselves well to the act of 'clicking'. VR will make these platforms more immersive and more welcoming to the consumer.

About GEEIQ

GEEIQ is a London-based data platform and insights provider that enables some of the world's biggest brands, including H&M, L'Oreal, and even Elton John, to navigate virtual worlds like Roblox and Fortnite.

Our platform facilitates long-term, data-led virtual strategies for brands to enrich new virtual communities, grow audiences, and create sustainable revenue streams in the new marketing and communications vertical of virtual worlds.

We leverage data from across this fragmented landscape of virtual gaming environments to provide a holistic view of the space, enabling benchmarking against brand virtual activations, competitor analysis, partner and influencer identification, as well as a deeper understanding of audience affinities and demographics.

GEEIQ also provides in-house experts who deliver bespoke reporting and long-term virtual strategy curation that's focused on tangible measurement and attribution, rather than positive PR and metaverse 'hype'.

Tour the platform