HexTrust

EXTENDING THE RUNWAY:

THE OPPORTUNITIES FOR FASHION BRANDS IN THE METAVERSE



THE GREAT RESHUFFLE

We are entering the next evolution of the internet, known as the Web3 stage, which will have huge implications for the fashion industry. In fact, it will impact every facet of the internet, the role companies play, and the agency of individuals. There are already many projects building decentralized applications for things like web hosting, storage, domain name systems, and entertainment.

Now, even fashion brands are exploring opportunities in the decentralized economy and specifically the metaverse.

It's still very early, but the metaverse is shaping up to be the biggest growth opportunity for several industries. McKinsey's 2022 report 'Value Creation in the Metaverse' estimates a total market size of $5 trillion by 2030, with a $2.3 trillion impact on e-commerce alone. The potential is becoming increasingly clear with real-life benefits emerging for early adopting companies and users. We now have the ability to create entirely new business models, products, and services, as the metaverse represents the next digital frontier that will change the way existing brands interact with their communities - and spawn a wave of new metaverse-native brands such as Fabricant.



Web 1.0

is the original internet: a network of pages interconnected through hyperlinks in a vast mesh of references.

Web 2.0

is the social web, filled with user-generated content which is ultimately owned by the tech giants that run the platforms.

Web 3.0

rails against this uneven distribution of ownership, aiming to reshuffle the deck by creating a decentralized alternative built on a peer-to-peer model.

WHAT IS THE METAVERSE?

A set of experiential virtual worlds where people can socialize in real-time to form a persistent, user-owned, decentralized economy spanning the digital and physical realms.



EXPERIENTIAL

Going beyond browsing and consuming, the metaverse represents a digital world built for interactive experiences, led by users.



PERSISTENT

The virtual space continues to exist and develop internally even when there are no people interacting with it.



USER-OWNED

All digital assets that form the content are owned by individual users, enabled by NFTs.



DECENTRALIZED ECONOMY

Anyone can create and monetize digital assets, which creates a peer-to-peer creator economy built on trustless technology rather than centralized gatekeepers.



DIGITAL AND PHYSICAL

As several emerging technologies converge, the digital metaverse will blend with the physical world using AR and VR.

LEADING METAVERSE PLAYGROUNDS

DECENTRALIZED / CENTRALIZED

In-game assets owned by users, enabled by NFTs



The Sandbox enables users to build, own, and monetize their experiences using tools such as Voxel Editor, Game Maker, and the Marketplace. $SAND is the utility token which can be used to play games, buy equipment, and earn rewards. LAND NFT tokens represent digital real estate ownership. There are a total of 166,464 individual LAND plots in the Sandbox metaverse, with each plot being 96 meters by width and 96 meters by length. Each plot can also be merged adjacent to each other to form Estates.



Decentraland is a metaverse platform where users can manage their content and applications using the Marketplace and Builder features. $MANA is the native token used to purchase land parcels as well as virtual goods and services. LAND is an NFT used to distribute the ownership of land parcels representing digital real estate in the Decentraland metaverse. There are a total of 90,000 LAND parcels, with each parcel measuring 16 meters by width and 16 meters by length . Common spaces, plazas and roads are owned by the developers of Decentraland.



Spatial is an experiential virtual space allowing creators and brands to share culture together in the metaverse through virtual art exhibitions, meetups and live events. Spatial is beginner friendly with turnkey templates for building virtual spaces, instant display of NFTs and using realistic avatars which track real-time human behavior. Users can create their own 3D spaces which can then be minted as NFTs and sold/rented to others. The platform is free-to-use and is adding support for web browsers, mobile devices, and the Oculus Quest.

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Coca-Cola · DKNY · DOLCE & GABBANA · ESTĒE LAUDER · FOREVER 21 · LOUIS VUITTON · NIKE · PUMA · SAMSUNG · Sotheby's · TOMMY HILFIGER

SuperRare · MATTEL · CreativeOwls.io · FAMILIA KAHLO

LEADING METAVERSE PLAYGROUNDS

DECENTRALIZED / CENTRALIZED

In-game assets ultimately owned by gaming platforms.



Fortnite is an online video game developed by Epic Games where players go on missions, fight battles and collect rewards. It can be played solo or multiplayer, and also allows players to create their own in-game assets using Fortnite Creative. It operates using a free-to-play model, available across most platforms including mobile devices. Fortnite earns profit through microtransactions, as players pay for assets to decorate their characters. The game has regular seasons that add new items, map updates, and new themes with special costumes.

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Roblox is an online platform and storefront where users can create games and capture value, interact and socialize with other players, publish/distribute content using the Roblox marketplace, and play multiplayer games. It also operates on a free-to-play model, with the majority of Roblox's revenue attributed to microtransactions from in-game item sales. There are now over 50 million games created by users on the Roblox platform, with around 55 million daily active users in 2022.

FOREVER 21 · GIVENCHY PARIS · GUCCI · LOUIS VUITTON · NIKE · RALPH LAUREN · REBECCA MINKOFF · TOMMY HILFIGER · VANS "OFF THE WALL"

AUGMENTING THE OMNI-CHANNEL STRATEGY

It wasn't that long ago when the rise of e-commerce was predicted to mark the end of traditional retail and physical stores altogether. But that doom scenario never truly played out. Instead of replacing traditional retail, digital channels added a new dimension to the overall brand experience and a level of personalized convenience that appealed to the Millennial consumer. And it also worked the other way around. Many of the new brands that were born digital, such as Warby Parker and Allbirds, began experimenting with opening physical shops and pop-up stores in strategic locations.

Over time, brands abandoned the false choice between online and offline shopping. The future of retail was in the omni-channel approach: delivering a single experience across all channels in an integrated, holistic, and innovative way. Angela Ahrendts, CEO of Burberry in 2014, captured the idea perfectly in an interview with Forbes saying "walking through the doors is just like walking into our website."

Omni-channel strategies have now spanned across almost every single retail company imaginable. This caters to the two generations who've been raised with video games, social media and all things digital: Millennials and Gen Z. They're a significant target since they account for nearly three billion people worldwide and will become the next primary driver behind consumer demand in the coming years.

So where does the metaverse fit in this narrative?

In the simplest terms, it is yet another channel which should be integrated in the omni-channel strategy, augmenting a brand's digital presence in a holistic way. There will be an abundance of data that users themselves own and can choose to share. This could feed into the hyper-personalization of the e-commerce experience and the individualized discovery of products and styles. Offering personalization is crucial for brands given the new generation's need for uniqueness, difference and one-of-a-kind products.

But perhaps more importantly, it should be understood that the metaverse represents a cultural shift which brands need to embrace if they want to stay relevant with the next generation.





CULTURAL SHIFT

Similar to the internet's evolution towards Web3, the next chapter for fashion brands will be marked by decentralization moving away from traditional sources of authority. Instead, individuals and communities will expect to have greater control over the narrative than ever before.

We've seen the beginnings of this with the rise of Influencers. Anyone can bypass the gatekeepers of Big Media and become a social media celebrity with millions of followers. With the metaverse, we take this a step further where brands and their communities both share ownership of the experience and even brand assets rooted in NFTs.

Retail companies have recognized the massive cultural shift and digital transformation currently underway and have entered partnerships with metaverse platforms like Fortnite and Roblox. But to better align with the evolution towards Web3 and increasing demand for ownership and control, companies are starting to show interest in user-owned, decentralized platforms such as The Sandbox and Decentraland. What differentiates these platforms from the likes of Fortnite and Roblox, is the ownership provided to users and greater value captured from monetizing in-game creations.

For fashion brands in particular, there is a substantial shift in consumer behavior which presents new opportunities. Before, the digital world of social media was a way for people to express themselves online, but now the next generation wants ways to express their digital selves.

What people do in the metaverse is an extension of their real-life identities, and this includes what they wear. Global spending on virtual goods reached more than $100 billion in 2021, with around 30% attributed to virtual fashion assets. As the tech becomes more accessible and brings in a broader mainstream audience, digital fashion items will take on more cultural significance over the next decade.

WHAT FASHION BRANDS ARE BUILDING IN THE METAVERSE

BURBERRY

In August 2021, fashion giant Burberry and Blankos Block Party, a multiplayer party game created by Mythical Games, had tremendous success with their collaborative NFT drop. The duo released a total of 2,250 NFTs, which sold out in about 30 seconds for an estimated $375,000 in total.





adidas

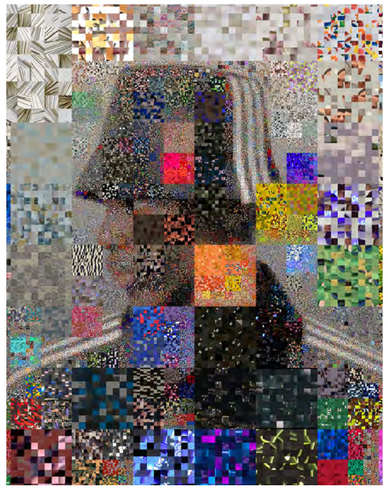
Adidas Originals launched the "Into the Metaverse" initiative in December 2021. It debuted with an NFT collection in collaboration with NFT juggernaut Bored Ape Yacht Club, gmoney and PUNKS comic. These NFTs acted as exclusive access passes for virtual experiences, physical collaborative merchandise and virtual wearables for The Sandbox. These NFTs were minted within a matter of hours after launch, recording around $22 million in total sales. Since then, Adidas has launched phase 2 of their "Into the Metaverse" initiative, and released their own capsule collection earlier this year.

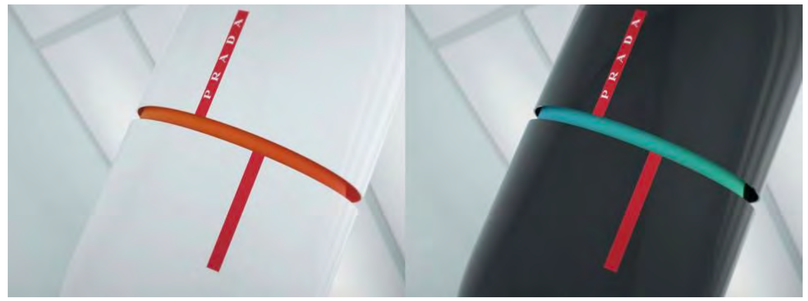




PRADA

In collaboration with Adidas, Prada also dipped its toes in the metaverse. The two brands invited participants to upload anonymized images which were then available for minting as NFTs. These pieces were then used as part of an artwork created by digital artist Zach Lieberman. Prada further expanded its presence in the metaverse through launching their own Time Capsule NFT collection, backed by real-life gender neutral products and a gifted NFT.





WHAT FASHION BRANDS ARE BUILDING IN THE METAVERSE

ESTĒE LAUDER DOLCE & GABBANA DKNY FOREVER 21

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LOUIS VUITTON

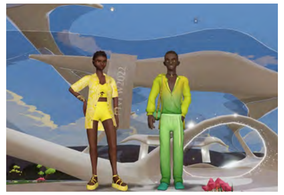




Metaverse platforms are also actively partnering with fashion brands to create unique and innovative experiences. Decentraland hosted their first ever Metaverse Fashion Week in March 2022, showcasing over 60 brands and 500+ looks. The four-day event featured a roster of prominent brands such as Dolce & Gabbana, Selfridges, Estee Lauder and Tommy Hilfiger, completely free for anyone to join. Visitors were able to purchase the looks on display as NFTs, dressing their own avatars or selling them on a secondary marketplace.







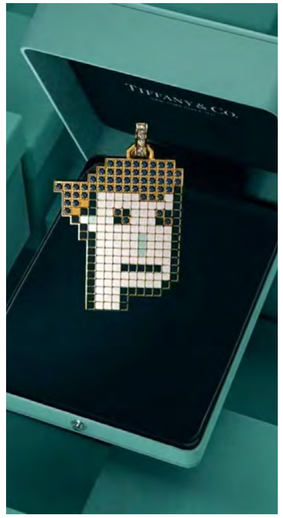




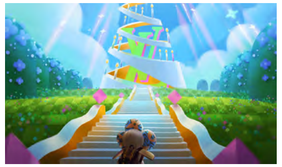
One of the first jewelry retailers to enter the metaverse was Tiffany & Co., announcing the launch of the NFTiff collection: 250 customized diamond-encrusted CryptoPunk themed pendant necklaces. Each necklace was sold in the form of an NFT for 30 ETH each. The necklaces were available only to CryptoPunk NFT holders and raked in more than $12.5 million in sales.







Louis Vuitton combined fashion and technology by introducing “Louis the Game”, an adventure-style game where players would have to travel through a dollhouse belonging to Vivienne. The adventure features 30 hidden NFTs with 10 NFTs made in collaboration with “Beeple”, one of the most popular NFT artists. By April 2022, the game reached over 2 million downloads.







NIKE'S JUST DOING IT

Out of the many fashion brands that have entered the metaverse, Nike has been notably active in the space, swiftly aligning itself with needs and expectations of today's consumers.

Their first big move was in November 2021, when they launched "Nikeland" on Roblox, a purpose built metaverse land which allows supporters to meet, socialize and participate in brand promotions. Each visitor becomes a custodian of their own piece of land, which they're free to decorate as they see fit with collectibles including exclusive digital products to dress their avatars.

The land also features a range of mini-games where users can earn additional products and rewards. The items are available across the Roblox game meaning the users that wear Nike branded avatar outfits essentially become digital brand ambassadors throughout the Roblox world. Since launch, Nikeland has recorded over 7 million visits and celebrity appearances from figures like LeBron James.

Shortly after Nikeland, Nike also acquired RTFKT studios, a virtual shoe company and maker of the "next generation" NFTs. RTFKT studios is also the creator of the famed NFT collection, CloneX. In February 2022, CloneX holders were airdropped a free Mnlth NFT, a Nike x RTFKT themed mystery box. The Mnlth NFTs acted as an access pass to the duo's very first NFT sneaker collection: CryptoKicks Dunks Genesis.

Each NFT sneaker came with eight RTFKT-made evolutionary skins, allowing holders to customize and personalize their sneakers with various looks and designs. This is in strong alignment with the growing value of personalization and unique one-of-a-kind products that consumers today seek.

It is highly likely that Nike will continue expanding in the digital world. The brand has previously filed for seven different metaverse related trademarks, indicating future plans to create and sell virtual fashion assets. A Nike representative also mentioned, "Nike is focused on potential ways to use blockchain technology and serve our consumers in the athletic footwear, apparel and equipment space."

Their journey of digital transformation hasn't been limited strictly to the digital world either – they're working towards creating experiential shopping journeys for consumers through digitizing their brick-n-mortar stores too. It's unknown how far they'll take this, but given the current trends it seems that Nike is striving towards creating a "phygital" experience for their customers.





GUCCI'S GETTING IN EARLY

Italian luxury brand Gucci has been making noise with their digital transformation journey, launching several metaverse initiatives over the years. The company was one of the first fashion brands to invest in virtual domains, building Gucci Garden on Roblox back in 2020.

Built for Gen Z consumers, the project featured a French garden where players could explore the digital land and the various themed rooms that paid homage to the brand's presence over the years. While visiting the rooms, each avatar transformed into blank, genderless mannequins which could then be dressed with virtual Gucci fashion items.

Gucci Garden was just the first step. To make their mark more permanently, they went on to officially build Gucci Town as their next step in Roblox with the aim of bringing the fashion brand's history to life.

A core section of the digital land is Gucci Vault, a dedicated space for users to browse the brand's most famous handbags, learn about their history, and how they contributed to the Gucci brand today. Gucci Town also featured a series of mini-games offering item-purchasing rights, a place called Gucci Plaza where users socialize, and a gallery section for visitors to take pictures of their avatar with real-life Gucci models.

As part of the Gucci Vault initiative, Gucci first launched Supergucci, a collaborative partnership launched with multimedia company Superplastic. Released in February 2022, the collection featured a series of unique NFTs, each accompanied by an eight-inch tall, hand-made Italian ceramic sculpture. The figurines were decorated to mirror the NFTs' classic Gucci patterns plastered over the silhouettes of Janky and Guggimon. Only a total of 250 ceramics were made and sold for a limited period of time.

As part of Gucci Vault, the luxury fashion house also launched 10KTF Gucci Grail in March 2022. In collaboration with digital accessory shop 10KTF, Gucci created ad hoc digital outfits to dress PFPs from eleven selected NFT collections including Bored Ape, Cool Cats and World of Women. The outfits were designed by Gucci's Creative Director, Alessandro Michele, and Wagmi-san, the infamous digital artisan.

Gucci's journey in the metaverse expanded from centralized platforms to decentralized platforms as they entered The Sandbox Game. In March 2022, Gucci officially announced the purchase of a Sandbox LAND plot to further scale its Gucci Vault initiative and build its very own virtual world on the gaming platform. With their recent announcement of accepting ApeCoin as a payment option, it seems Gucci has plans to further venture into the metaverse and also embrace the use of cryptocurrencies.

For Gucci, it seems this is only the beginning. They've only just started on the Gucci Vault initiative, as a multi-directional exploration of experimental creativity spanning across the metaverse, NFTs and other Web3 based technologies.

BUILDING BLOCKS OF A METAVERSE STRATEGY

Understanding the metaverse is one thing, but entering this new world successfully comes with its own set of challenges. The foundation of an effective metaverse strategy relies on the following building blocks covering both the experiential side and the technical aspect.

EXPERIENCE

Extend the brand experience into a new world that is not just customer-centric, but user-owned.

BRAND NARRATIVE

Projects within the metaverse should be part of the brand narrative, integrated with other channels.

CREATIVE INTERACTION

Fashion brands now have the opportunity to push the boundaries of creativity and deliver truly immersive experiences. The metaverse can offer more than interactive catalogs.

COMMUNITY

Brands and designers are able to create real value and substance, and develop meaningful connections with metaversal communities.

TOKENOMICS

Embedding play-to-earn dynamics in the experience combined with desirable in-game asset drops creates a circular economy.

REAL PARTICIPATION

Above all, your brand should genuinely participate in the user-owned decentralized economy. Everyone can contribute and own at least a fraction of the experience.

TECHNOLOGY

Partner with blockchain native financial institutions to solve the technical challenges.

INDUSTRY EXPERTISE

Trusted partners in the digital asset ecosystem help to navigate emerging blockchains, token standards, metaverse platforms, and NFT marketplaces.

SAFEKEEPING ASSETS

Professional custodians protect your organization's digital assets with institutional-grade security frameworks and processes.

DIGITAL ASSET OPERATIONS

Managing digital assets securely across an organization requires comprehensive approval methodologies and workflows so that no single person can transfer assets on their own.

INTEROPERABILITY

As the metaverse is a world that spans several blockchains, companies need the expertise to migrate in-game assets between protocols safely.

DATA PROTECTION

With the rising use of tracking personal and financial data, storage of confidential information and intellectual property remains a top priority. Without secure data storage, users' personal data may be compromised.

FASHION WILL BECOME INTEGRAL TO THE DECENTRALIZED ECONOMY

When you take fashion into the metaverse, the use cases are endless. While digital outfits may come to mind first, it certainly doesn't end there. In line with the tenets of decentralization and user-owned assets on which the entire Web3 movement is built, fashion brands can now truly include creatives in their communities. People will be able to submit digital fashion designs and share in the rewards generated using NFTs to distribute creator royalties. Users collecting tokens for on-chain activities could be granted access to limited-time experiences, memberships, or exclusive drops as part of loyalty programs.

It may seem like a distant future right now, as the digital asset industry still mostly appeals to people deeply interested in tech and finance. But as more non-financial brands enter the fray, millions of new users with a different interest will be spending time on the metaversal playgrounds.

Within the next decade, we can expect most fashion brands to have a presence in the metaverse, complete with a 'Connect Wallet' right on their homepage back in Web2. Eventually, the fashion industry will transform radically and become an integral part of the decentralized economy, fundamentally changing the way brands and communities interact.

The metaverse is here to stay and many fashion brands have recognized the transformative potential, taking part in this dynamic new landscape while others stay at the sidelines. As we enter the next chapter of the digital revolution, getting involved early will secure long-term competitive advantage.

> "NFTs and the whole Web3 space is about preserving your digital identity - giving you a way to build a digital legacy that is truly yours."
>
> **Yat Siu, Animoca Brands**



ABOUT HEX TRUST

Hex Trust is a fully licensed digital asset custodian, strategically positioned in financial services hubs worldwide. We enable financial institutions and organizations of all stripes to truly embed themselves in the decentralized economy in a safe, scalable, and compliant manner.

Ahead of the curve to embrace new protocols and technologies, Hex Trust was the first to offer institutional-grade custodial services for NFTs ranging across arts, digital real estate, in-game assets, and tokenized real-world assets. With tailored services to handle individual technical requirements, our team is here to help you acquire and sell NFTs as you explore the latest trends, collections, and worlds across the metaverse.

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