Cutting Through the Metaverse Hype

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The barriers to mainstream metaverse adoption and the key opportunities and challenges it presents.

The metaverse is an ambitious, untested technology with incredible potential and a host of limitations. While most people think of immersive, virtual worlds as places to socialise or play, several business applications – and pain points – have begun to emerge.

In 2026, an estimated 25 percent of consumers will spend at least an hour a day in the metaverse for digital activities including work, shopping, education, social interaction and entertainment. In addition, 30 percent of global businesses are projected to have products and services ready for the metaverse by then.

The first big business application is metaverse marketing. Nike, Balenciaga and Hyundai are just three examples of brands that have entered the metaverse to experiment and engage with customers. The next big wave will be organisations training, incentivising and engaging their employees in
virtual worlds. Global consulting firm Accenture, for example, has already onboarded thousands of employees using its metaverse.

While there is much hype around a fully immersive metaverse, we are not quite there yet. The dream of the metaverse is to merge our physical and digital worlds, but the gulf is still too wide. Investment in metaverse technologies and infrastructure may be high, but adoption is slow and somewhat limited.

To explore how the metaverse and extended reality (XR) ecosystem is developing in Europe, we (Chelcie, Nikita and Cameron) conducted interviews with start-ups, venture capitalists (VCs) and industry experts in seven European countries.

As part of the INSEAD Summer Startup Tour, we spoke with insiders working to bring the best of the metaverse to every industry, from democratising the quality of medical care available worldwide to enabling immigrants to access work that matches their skillsets.

Here are some of the questions we asked and answers we found on our journey.

**What are the biggest hurdles for mass adoption?**

**It needs to add value:** Slapping a 3D store onto your existing e-commerce site without much modification does not make for a quality metaverse experience. Companies need to steer away from gimmicks and towards value-added experiences that are better achieved using immersive digital technologies.

**User experience (UX) needs drastic improvement:** The UX of metaverse experiences is still a work in progress. As soon as there are high-resolution, quality experiences that are easy and seamless to access, people will have fewer mental obstacles about using it regularly.

**It needs to be accessible:** The high cost of VR headsets, unfamiliar user controls and lack of knowledge prohibit many people from partaking in metaverse experiences. For mass adoption, access to the technologies and acceptance of their usage will be required.

**When will metaverse experiences become mainstream?**
Software professionals predict mainstream adoption will take anywhere from three to 10 years, and that early adoption will predominantly come from enterprise and Gen Z users. Many believe adoption will take place in a phased approach, with AR reaching the masses first as the hardware for VR and haptic technology progresses.

On the other hand, hardware professionals estimate it will take 10 to 15 years before the metaverse goes mainstream. Key reasons include high costs and timelines of R&D, less availability of funding for hardware start-ups and development required across the technology ecosystem – including infrastructure, streaming, graphics processing and headset size.

**How badly do we need Big Tech?**

While competition is high in software and winners are yet to emerge, it is in hardware and computing infrastructure where Amazon, Apple, Google, Meta and Microsoft will really have to flex their muscles if the metaverse is to have a future.

Hardware development is a long and costly game, requiring deep pockets and much patience. The success of every software-focused start-up we interviewed depends on the success of hardware, yet none of them had the resources nor fiscal capacity to build expertise in this space. Big Tech has the funds, risk appetite and track record to invest in, develop and distribute accessible products.

**What are the key challenges?**

The concerns around the metaverse are predominantly ethical – including privacy, social and economic inequalities, accessibility and identity. As one founder we spoke to said, “Few VCs are going to ask you ... what are your regulations or where are your moderators for this if there is no risk of liability due to the lack of laws. It is your responsibility as a decent human being to anticipate this before you are legally required.”

**How will it be regulated?**

The metaverse has the potential to literally become another world, and without regulation it truly is the Wild West. Already there are reports of sexual assaults on Meta’s platform. Who do we trust to police the metaverse, which is bound by no physical geography? How will people be held accountable for harm they commit? How will users be identifiable and
traceable, or will that not be the case? Unfortunately, we are left with more questions and concerns than answers.

Gone are the days when we could assume tech was always for good. In Web2, particularly on social media platforms, we have seen untended negative consequences on individuals and on society more generally. As a result, expectations have shifted. Entrepreneurs, business leaders and regulators must proactively anticipate and mitigate the potential dangers of shifting human activity to the metaverse.

While the future applications of the metaverse are still hazy, one thing is clear: it is up to us to ensure it brings more value than harm to the way we live.

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