
CERTIFICATE of ATTENDANCE

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attended the

Sinergie-SIMA Conference 2024

«Management of sustainability and well-being for individuals and society»

held in Parma, June 13-14, 2024

and presented the paper «*How Metaverse Creates Value for Luxury Brands*»

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How Metaverse Creates Value for Luxury Brands

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Abstract

Frame of the research. Metaverse is quickly attracting the attention of luxury brands. Different levels of understanding and adoption are currently being utilized by luxury companies, whose attitudes toward this technology range from skepticism to enthusiasm. While Metaverse has the potential to reshape the way luxury brands create value for their customers and other stakeholders, the ingredients to create successful business models are still under scrutiny. Many variables seem to co-exist, and the synergistic impact of the different Metaverse environments, along with their enabling features and supporting technologies on luxury remains a relatively unexplored domain.

Purpose of the paper. Introduce a new conceptualization of the Metaverse for luxury brands, offering a framework to assist in building value for customers and stakeholders.

Methodology. Exploratory, qualitative research methodology, based on 15 in-depth structured interviews with top managers of luxury brands.

Results. The paper introduces a theoretical framework that links investments in Metaverse Technologies with customers' perception of luxury attributes, the influence across a wide spectrum of stakeholders, and the link with strategic objectives.

Research limitations. The sample of respondents, which represents the perspective of 15 top managers of the sector, might be enlarged in the future. Additionally, future research could develop quantitative analyses to structurally connect the different variables in the model.

Managerial implications. The research shows how luxury brands can unlock the full potential of the Metaverse to reinforce, re-generate, access, and engage relevant stakeholders, affecting a relevant set of luxury attributes, strengthening relationships with existing customers, and embracing new target audiences.

Originality of the paper. Introducing a new framework that connects Metaverse Technologies, with their impact on luxury attributes, stakeholders's audience and business objectives.

Keywords: Luxury marketing, Metaverse, Immersive Reality, Value Creation Chain, MarTech, Branding

35 **1. Introduction**

36

37 The Metaverse has been defined as a three-dimensional space where individuals can move,
38 share, and interact using customized avatars (Hadi et al., 2023). The term's origin lies in the
39 Greek prefix "meta", suggesting transcending the boundaries of the physical realm, combined
40 with the Latin suffix "verse", conveying entirety. In the evolving landscape of technology and
41 digital innovation, the concept of the Metaverse has emerged as a groundbreaking paradigm,
42 capturing the attention of individuals and industries alike.

43 This article takes inspiration from two trends of research that are relevant for analysing and
44 evaluating the effects of new marketing technologies in generating impact in the very peculiar
45 luxury sector: namely the *Value Creation Chain Model* and the *MarTech in Luxury*. The *Value*
46 *Creation Chain*, as outlined by Keller and Lehmann (2003), delves into the intricate processes
47 that underpin the generation of value for brands, connecting marketing investment choices,
48 with customers' attitude formation and change, market performance and shareholder value.
49 Concurrently, the research on *MarTech in Luxury* aim to forge links between emerging
50 technologies (Javornik et al., 2021; Bao et al., 2024) and their influence on both traditional and
51 novel traits, attributes and characteristics linked to luxury brands (Kapferer & Bastien, 2009;
52 Wang, 2022).

53 This is particularly relevant in a context where, despite its 30-year history, the Metaverse
54 appears to be still in full development, and there is still no consensus on its precise definition
55 and boundaries of application, both among managers and researchers. To date, extensive
56 research, and discussions on the Metaverse have yielded various interpretations, creating
57 conceptual building-blocks that can serve to model how the Metaverse might affect the core
58 industry attributes (Yoo et al., 2023). In the context of luxury brands, where the experience is
59 a pivotal element (Kapferer & Valette-Florence, 2019) crafted by offering consumers symbolic
60 and experiential value alongside functional benefits (Pozharliev et al., 2015), recent research
61 argued that the Metaverse holds a huge potential for shaping the industry's future (Holmqvist
62 et al., 2020). Specifically, its capacity to evoke and enhance subjective and emotional
63 experiences, encompass sensory, aesthetic, fun, fantasy, and emotions (Krishna, 2012). In
64 addition, the virtual nature of the Metaverse offers a heightened level of immersion and new
65 types of consumers' journeys (Schmitt et al., 2015). Such journeys involve activities that create
66 optimal experiences by integrating virtual and physical touchpoints (Swaminathan et al., 2020),
67 a concept already pioneered by top brands such as Bulgari, Gucci, and Dior (Jayawardena et
68 al., 2023).

69 Conversely, executives offer varying interpretations of the Metaverse, both in terms of its
70 technological implications and the potential impact on business. Some view it as *“a world that*
71 *speaks a gaming language and communicates with the youngest generation”* (Informant I), or
72 as *“a virtual world that is bringing people from same or different communities with one*
73 *another, and that is allowing them to behave, interact, exchange”* (Informant P), while others
74 see it as a *“branding environment [...] that can provide both reputational and real economic*
75 *value”* (Informant F) or *“a set of immersive creative worlds that are contextually very beautiful*
76 *and able to narrate the history of the brand”* (Informant B) that might *“evolve the traditional*
77 *clienteling”* (Informant E) in a context that *“is very attentive to respect its brand equity and*
78 *heritage and often must refrain from too dynamic test and learn approaches, typical of other*
79 *related sectors”* (Informant E). Or even *“being a different way humans can interact among*
80 *themselves in a different way from traditional ones, it generate new ways where people can*
81 *socialize, collaborate, play, and buy in a virtual 3D space”* (Informant L). Simultaneously,
82 some managers remain dubious about the positive impact of the Metaverse in luxury, citing
83 general skepticism (*“At the moment on Metaverse I can tell you it's still in its infancy. It will*
84 *drastically it will undergo under drastic changes. But I don't know what the end result will look*
85 *like and probably nobody knows, we have to all shape it”*; Informant P) and refraining from
86 adopting it (*“The Metaverse is not our priority”*, Informant A; *“We are not into Metaverse”*,
87 Informant Q), confining it into *“a pure novel channel of communication without clear impact”*
88 (Informant N) or *“irrelevant if only adds a layer of interaction with the client, without a strong*
89 *technological backing in the development and systematization of product images and*
90 *information”* (Informant E). If not properly executed, some view it as a potential weakening
91 factor of brand DNA, expressing concern about the risk *“of confining ourselves to this digital*
92 *realm.”* For them, *“[...] a complete digital experience without a corresponding tactile*
93 *counterpart holds no significance”* (as emphasized by Informant H), or *“if not well executed*
94 *might hamper the uniqueness of luxury customer experience”* (Informant E).

95 As much of current managerial perspective and extant research has remained ambiguous to
96 how the Metaverse can convey luxury attributes and ultimately generate value for those
97 companies, a set of specific research gap might be identified to support the development of an
98 integrated framework on “How Metaverse Boosts Luxury Brand Value Creation”. Specifically,
99 (a) Which Metaverse technologies are more (less) useful in elevating traditional and novel
100 luxury attributes, (b) How companies might use these Metaverse technologies to expand
101 access, increase engagement, affect and release value to different stakeholders, encompassing
102 customers, employees, investors, suppliers and, as a consequence, (c) Why the Metaverse

103 might be a game changer in helping luxury brands building a sustainable competitive advantage
104 and in achieving their strategic objectives.

105 This paper addresses these uncertainties utilizing a discovery-oriented approach (Muninger,
106 Hammedi & Mahr, 2019) through a set of in-depth interviews to top executives in the luxury
107 industry. Accordingly, the authors present a theoretical framework that links investments in
108 Metaverse Technologies with customers' perception of luxury attributes, the positive influence
109 across a wide spectrum of stakeholders and strategic objectives.

110

111 **2. Methodology**

112

113 *2.1 Research Design and Sample*

114 The authors employed a qualitative research methodology, conducting in-depth interviews with
115 industry experts to gain insights into the strategic utilization of the Metaverse by luxury brands.
116 Embracing a discovery-oriented approach, as advocated by Muninger, Hammedi & Mahr
117 (2019), the study aimed for a nuanced understanding of the subject matter, prioritizing
118 participant insights. Since, current knowledge of Metaverse ecosystems is lacking, it was useful
119 to study the phenomenon in a selected and information-rich setting (see Tan & Saraniemi,
120 2023). The authors proactively sought out key participants through their professional networks
121 and industry contacts, employing specific criteria for selection. These criteria included
122 individuals with management responsibilities, significant expertise in both digital technologies
123 and the luxury sector, and a track record of active involvement in strategic decision-making
124 processes. In-depth interviews were conducted with fourteen managers from Europe, whose
125 profiles are detailed in Appendix 1. In line with prior literature (McCracken, 1988), a semi-
126 structured interview guide was formulated (refer to Appendix 2). This methodological
127 approach facilitated a comprehensive exploration of the strategic deployment of the Metaverse
128 in the luxury sector.

129

130 *2.2 Interviews and Data Analysis*

131 We conducted semi-structured video conferencing interviews with fourteen informants from
132 Europe between September 2023 and January 2024. Given the complex nature of the
133 phenomenon studied, this is a suitable way to boost the credibility of our findings.

134 The interviews commenced with an initial open-ended inquiry, delving into the managerial
135 perspectives on what the interviewees perceive as the Metaverse and the technology they
136 associate with it. This exploration progressed by inquiring about their strategic intention to

137 utilize such technology in both current and future business models, with a focus on its potential
138 long-term impact on the luxury attributes and its business model. Additionally, the discussions
139 touched on the general priorities and challenges faced by luxury brands in the Metaverse.
140 Subsequently, the discussion shifted towards exploring the existing landscape of performance
141 metrics systems within the Metaverse, aiming to uncover insights into the current state, identify
142 information gaps, and ascertain desired options. Following this, the study delved into the
143 examination of how elements of brand identity are adapted, translated and executed into the
144 virtual realm of the Metaverse. Lastly, executives were prompted to provide insights on the
145 development of brand engagement within the Metaverse and how sensorial elements can be
146 integrated in such interaction. The interviews, averaging forty minutes in duration, were
147 recorded and transcribed verbatim. We selected information-rich participants (Patton, 2002) by
148 using the authors' networks and snowball sampling. The interviewees willingly participated in
149 the research and granted permission for the interviews to be recorded in a video format. The
150 number of participants was not determined beforehand, but we followed the principles of
151 saturation and stopped collecting data when no new information was added (Gummesson,
152 2005).

153 In terms of data analysis, initially, the researchers employed an inductive approach,
154 immersing themselves in the data by identifying and comparing thematic codes across all
155 interviews, as recommended by scholars (Strauss & Corbin, 1997). In the analysis of the
156 interview data, we familiarized ourselves with the interview data by repeatedly reviewing
157 recordings with transcripts, documenting our thoughts, interpretations, and questions. All
158 interview data were transcribed using MS Teams automatic transcription software. To enhance
159 accuracy, all authors meticulously reviewed and corrected transcripts while re-watching the
160 videos on different days (Nowell et al., 2017).

161 Throughout this process, they engaged in discussions and exchanged analysis memos that
162 encapsulated initial reflections. The overarching goal was to obtain a comprehensive
163 interpretation of luxury brands' perceptions of the Metaverse. This involved understanding the
164 role of novel technologies (e.g., AR, VR, Blockchain) for luxury brands and discerning its
165 distinctions from other digital technologies. Subsequently, the team conducted a structured, in-
166 depth analysis, with the authors leading the identification and interpretation of quotes related
167 to managers' understanding of the Metaverse in the luxury context. This process involved
168 linking these insights with existing theories. Moving forward, the analysis delved into
169 scrutinizing how the strategic deployment of the Metaverse supports luxury brands.

170 Simultaneously, the aim was to construct an integrative framework that could provide valuable
171 guidance to executives in their pursuit of investments in the Metaverse.

172

173 **3. Metaverse’s Key Characteristics and Their Importance for Luxury** 174 **Brands**

175

176 Building on existing literature, and supported by statements from company executives, four
177 characteristics of the Metaverse are now recognized, acknowledged, and explored in the
178 context of luxury brands.

179

180 *3.1 Full Sensory Experience*

181 Academics have emphasized the potential of the Metaverse to deliver a *fully sensory*
182 *experience*, describing it as “a virtual world with immersive capabilities providing an
183 experience forecast to parallel the real world” (Dwivedi et al., 2022).

184 Full sensory experience refers then to the phenomenon in which mixed technologies can alter
185 sensory inputs, thereby modifying real or virtual environments (Yoo et al., 2023) and inducing
186 a sense of presence within a digitalized space (Kim & Bae, 2023). The Metaverse is grounded
187 in extended-reality technologies (XR) that facilitate multisensory interactions (Barrera & Shah,
188 2023), allowing individuals to engage with virtual environments, digital objects, and other
189 participants. As noted by Informant B “*In a sensory experience, we engaged all the senses of*
190 *our guests to convey the essence of our products*”. Hence, multiple sensory interactions and
191 perceptions, such as visual, auditory, haptic, and kinesthetic experiences, are cultivated to
192 foster heightened interactivity among users, thereby eliciting genuine participation and
193 collaborative value creation among individuals (Krishna, 2012). As remarked by Informant A
194 “*A real opportunity for luxury brands is to deliver a powerfully sensorial approach (...) and*
195 *provide users with an extremely gratifying experience*”, despite “*we are not yet at the stage of*
196 *having a truly pleasant, rewarding and enjoyable setting in the Metaverse that can stimulate*
197 *long-term permanence, engagement and sales for different luxury targets*” (Informant E).

198

199 *3.2 Real-time Interactivity*

200 Real-time interactivity, defined as defining as “a technology-mediated network of extended
201 reality environments to provide experiences characterized by their level of immersiveness,
202 environmental fidelity, and sociability” (Barrera & Shah, 2023), refers to temporal

203 synchronicity (Hoffman & Novak, 1996), and collaborative participation in the Metaverse
204 (Barrera & Shah, 2023). In the context of luxury, brands like Gucci, Bulgari, and Louis Vuitton
205 have introduced their virtual spaces and wearable assets on platforms such as Roblox, Zepeto,
206 and Decentraland (Xi & Hamari, 2020). These platforms enable users to share the same
207 experience simultaneously, make purchases and participate in real-time gamification activities
208 within the brand's virtual stores (Hadi et al., 2023). Furthermore, previous research on
209 Metaverse's application in luxury focused on its potential to build brand engagement through
210 gamification's activities (Xi & Hamari, 2020), enhance brand experience (Eppmann et al.,
211 2018) and augment brand image (Holmqvist et al., 2020). As a result, marketers are offering
212 virtually wearable garments that users may wear while playing characters in games like League
213 of Legends or exploring the Metaverse for various reasons (e.g., entertainment, sociality,
214 events). Moreover, real-time interactivity can enable the alignment between physical and
215 virtual events (Javornik et al., 2021). *"We organized a live streaming event within these
216 platforms, allowing users to watch the actual fashion show. An impressive 8 million people
217 connected. (...) This initiative served to capture the essence of the original spirit intended for
218 the real-world fashion show and convey it within the virtual realm"* (Informant F). As a result,
219 luxury brands are now directing their efforts towards providing high-quality product simulation
220 and visualization (Javornik et al., 2021), as Informant B explains *"Investing in technologies
221 that ensure proper aesthetic and brand storytelling performance is crucial"*.

222

223 3.3 New Digital Assets

224 The Metaverse involves the creation of *unique digital assets* in "an online collaborative shared
225 space built of 3D environments that leverage high consumer immersion techniques to reduce
226 the perception of technological mediation". They connect with the creation of tradable digital
227 media pieces with economic value within the Metaverse, where, for example, non-fungible
228 tokens (NFTs) play a key role in representing the limited and exclusive use of digital products
229 (Colicev, 2023). As stated by Informant F *"NFTs are like receipts, they ensure the digital
230 ownership of a specific asset in a blockchain"*. This extends to virtual fashion and NFTs,
231 offering novel avenues for consumers to engage in shopping, exchange goods, and assume
232 digital identities through avatars (Hazan et al., 2022). Moreover, the emergence of a new
233 consumer generation has prompted luxury brands, including to collaborate with metaverse
234 social platforms and introduce NFT luxury fashion items designed for virtual world game
235 characters (Sung et al., 2023). According to Informant C, *"NFTs are a medium of
236 communication. Our approach to NFT projects initiates in the digital realm, but we extend the*

237 *experience by translating them into physical and experiential dimensions. This strategy is*
238 *designed to seamlessly immerse customers in the authentic reality of our brand*". Such
239 alignment is crucial for linking the virtual and the physical, and for enabling the creation of
240 tight relationship between users and luxury brands, as Informant F highlights "*When we started*
241 *(...) utilizing blockchain technology and NFTs, our primary objective was to engage with an*
242 *audience that, up to that point, had not frequented Informant F stores or expressed any interest*
243 *in the brand*". An audience, as Informant D highlighted, that "*...might either have the monetary*
244 *possibility to buy luxury despite not currently interested in specific product category...or, on*
245 *the opposite, very interested in getting closer to the luxury world and signaling their presence*
246 *through affordable products and experiences*".

247

248 *3.4 Unique Co-creation*

249 It pertains to the active engagement of customers in shaping brand values through their
250 participation in various marketing interactions, including activities related to the brand or
251 specific virtual products (Payne et al., 2009). Given the shared environment and experience
252 provided by Metaverse's platforms (e.g., Roblox, Decentraland, Zepeto, Fortnite), co-creation
253 can be elevated to new levels, as active engagement in online communities generates higher
254 value (Kozinets et al., 2010). Furthermore, considering the growing significance of value co-
255 creation between brands and users, especially considering the increasing demand for
256 personalized experiences (Chapman & Dilmperi, 2022), recent research emphasizes that luxury
257 brands must harness co-creation strategies. This approach becomes instrumental in elevating
258 crucial values such as hedonism and self-expression, thereby exerting a positive influence on
259 consumer equity (Choi, Ko & Kim, 2016). In line with this context, through gamification, the
260 Metaverse enables a more direct influence on product offerings and the overall design of virtual
261 stores (Hofacker et al., 2016). As stated by Informant C "*Surviving in the metaverse is*
262 *inextricably related to the notion of community; without a community, thriving becomes an*
263 *impossible goal*". Informant B reinforced the concept stating that "*...Metaverse might have a*
264 *full impact for brands who can count on a proper community in the Metaverse platforms who*
265 *can spontaneously generate engagement with the brand ... The absence of such community*
266 *makes it harder to have impact on Metaverse platforms*". For instance, the consistent
267 engagement by brands through co-created games and dialogues facilitates users in attaining a
268 significant level of co-presence within the luxury virtual stores (Colicev, 2023). As Informant
269 F explains "*The essential mechanics of these Metaverse's platforms is the gamification that*
270 *tempts players to return to that platform and dialogue with the brand*". Importantly, such

271 connection is expected to happen across a range of different technologies, as Informant B
272 highlights “*Technology functions as a medium for creating an affective bond between the*
273 *consumer and the brand*”.

274

275 **4. How Metaverse Shapes Traditional and New Luxury Attributes**

276

277 Metaverse unique characteristics have the potential to impact the luxury industry, by
278 regenerating and reinforcing specific attributes, and ensuring access to and engagement with
279 high-end brands. Luxury brands distinguish themselves for a set of traditional attributes that
280 have allowed luxury managers to build a strong heritage and brand equity overtime (Dion &
281 Borraz, 2017). They are premium-priced and regarded as rare (Moreau et al., 2020; Wang,
282 2022) and unique (Kapferer & Valette-Florence, 2019). Moreover, the perceptions of
283 authenticity (Morhart et al., 2015), hedonism, and aesthetics generate a profound resonance
284 with consumers (Venkatesh et al., 2010). Specifically, brand heritage plays a pivotal role in
285 shaping the essence of luxury. It encompasses various integral concepts such as craftsmanship,
286 history, artistry, and uncompromising quality, all of which contribute to the distinctiveness of
287 a luxury brand (Dion & Borraz, 2017). Indeed, without a rich heritage, a brand might offer
288 expensive and authentic products, yet it falls short of earning the prestigious label of luxury.
289 Heritage also serves as the cornerstone that amalgamates all facets of brand identity and image.
290 It enables customers to forge a connection with the brand’s historical journey, fostering a sense
291 of identification with its corporate values (Cooper, Miller & Merrilees, 2015).

292

293 *4.1 Traditional Luxury Attributes*

294

295 *4.1.1 Brand heritage*

296 Today, the emergence of the technologies connected to the Metaverse has empowered luxury
297 brands to *reinforce* and *re-generate* value for existing consumers by leveraging their traditional
298 luxury and novel attributes, enabling *access* and favor *engagement* to new customer groups,
299 and *accelerating* the sedimentation of heritage and other luxury attributes for new high-end
300 brands aiming to position themselves in the luxury market. For instance, the use and adaptation
301 of identity elements into gaming platforms (e.g., Roblox, Zepeto, Sandbox), through their
302 intensive use by individuals, might provide the setting for a continued interaction frequency
303 and engagement that could accelerate the creation of *brand heritage* to new potential

304 consumers. As supported by Informant B “*we must craft experiences that resonate with*
305 *heritage, as heritage comprises distinctive elements that require accurate translation into the*
306 *Metaverse context [...] This ensures an authentic brand narrative*”, or Informant C “*When it*
307 *comes to brand heritage and identity elements, transposition is necessary to ensure effective*
308 *communication across different platforms and languages*”. Also, “*since heritage is reinforced*
309 *by experiences with unique products that cannot be replicated and are often unavailable to*
310 *customers, through the Metaverse, we can create a collection of distinctive products [...] In*
311 *this space, we have the opportunity to construct retrospectives that narrate our unique story*”
312 (Informant B).

313

314 4.1.2 Brand authenticity and craftsmanship

315 In line with this context, the development of *brand authenticity* in the Metaverse requires the
316 translation of core identity elements into the digital space, such that they are resonant with both
317 established and emerging user bases. According to Koles et al. (2024), the Metaverse presents
318 an opportunity to expand and enrich the brand narrative by offering highly immersive and
319 interactive experiences through gamification activities. This can include the recreation of
320 iconic brand moments, showcasing craftsmanship and providing virtual tours of physical
321 historical spaces linked to the brand, and alignment with the brand’s values and heritage. It
322 might also help satisfying different needs in terms of prominence and social status in luxury
323 consumption (Pino et al., 2019). In this way, consumers who may have never properly and
324 actively interacted with the brand or lacked financial access to luxury products, can still feel a
325 sense of belonging to the experience and establish an emotional connection with it.
326 “*Understanding the logic of the Metaverse is essential, as it involves taking the elements of*
327 *brand identity and seamlessly extending them into this virtual realm. [...] This process requires*
328 *the creation of authentic and easily recognizable experiences, coupled with the original brand*
329 *storytelling*” (Informant I).

330

331 4.1.3 Premium price

332 When it comes to *premium price* in the Metaverse, each world possesses its unique language
333 and logic. Consequently, the transaction price of a luxury brand in the Metaverse might be
334 notably lower than that in the real world in absolute terms, but still maintain its core
335 characteristic of being premium (Moreau et al., 2020). However, within the Metaverse
336 community, this pricing is perceived as luxury because it significantly deviates from the
337 standard pricing in that virtual world. “*The costs are negligible. When we started, there was*

338 *always the comparison with real-world prices. [...] A Informant F shoe in Zepeto was priced*
339 *at \$5, and the Jackie bag at \$90. When considering the platform's target community and*
340 *exchange rate of 7 Zem to \$0.49, the Informant F bag isn't just expensive; it's exceptionally*
341 *costly" (Informant F); or "Individuals invested in character customization to distinguish*
342 *themselves within the game environment. They opted for branded accessories like necklaces*
343 *and bottles, even at an average price of thousands of Euros, to avoid appearing commonplace*
344 *within the virtual world" (Informant F). Through this approach, the brand effectively*
345 *introduces a premium price and luxury status to a world where the target audience might differ*
346 *significantly from the established user base, establishing premium as a distinctive feature*
347 *compared to the basic offerings.*

348

349 *4.1.4 Hedonic value*

350 Moreover, the Metaverse has the potential to impact the *hedonic* aspects of luxury brands,
351 enriching customer engagement, entertainment, and fun, and fostering closer connections with
352 specific target audiences. The setup of a realistic vs. fantasy avatar itself might be considered
353 an act of hedonism, where the desired attributes are self-projected into a new "virtual-me" or
354 "virtual-not-me". Embracing avatars, virtual entities or characters influenced by human
355 behavior, in fact has been proven to fulfill various interpersonal and personal purposes, such
356 as fostering social connections, expressing oneself, and exploring identity, with different
357 psychological factors influencing choices in creating avatars associated with the extent of
358 perceived differences between their actual self, desired self, and perceived societal
359 expectations. *"An avatar serves as your digital identity, representing you within a given*
360 *ecosystem. Currently, these ecosystems are fragmented and diverse. Platform avatars vary*
361 *significantly. For instance, Zepeto adopts a human-based approach, featuring high-quality 3D*
362 *collections for sale and virtual stores with meticulous details" (Informant F).*

363

364 *4.1.5 Aesthetics and quality*

365 Moreover, through gamification and extended reality (XR) activities, the Metaverse can offer
366 consumers an enjoyable experience, also facilitating the creation of 3D virtual models that
367 authentically represent the *aesthetics* of luxury products and influencing customer perceptions
368 on products' *superior quality* (Hagtvedt, 2022). *"The general public might think that the*
369 *creation of a NFT drop would be much quicker, but it is not necessarily so [...] we need expert*
370 *craftmanship, of a different typology, a digital one, to ensure a perfect and superior*
371 *recognizable digital quality" (Informant C); "We chose to partner with Epic Games' Unreal*

372 *Engine 5, a technology that enables us to enhance the realism of the Metaverse experience.*
373 *This decision was driven by the platform’s capabilities in terms of color treatment, light*
374 *refractions on products, and cinematic elements, aligning with the aesthetic standards of our*
375 *luxury brand” (Informant B).*

376 Accordingly, brands can showcase their luxury products in diverse virtual worlds, through
377 the creation of “microverses”, in-game virtual tours or NFTs collections, also establishing
378 connections with the real world. This approach enables new consumers to *access* the brand's
379 community and *engage* in its initiatives; “[...] *through the purchase of NFTs, individuals can*
380 *secure a two-year membership, unlocking a spectrum of physical, experiential, and digital*
381 *benefits” (Informant C). However, “style is a must and a main principle for the development*
382 *of wear-on products; [...] in order to succeed, wearable MV technologies should be socially*
383 *acceptable, and cannot present major disruptions vs. the desired style of what customers wear;*
384 *[...] wearable immersive experiences that are neither streestyle nor luxury will not succeed in*
385 *terms of large adoption; [...] thus the current challenge is to add technology without*
386 *compromising vs the desired style” (Informant L).*

387

388 4.2 New Luxury Attributes

389

390 4.2.1 Sustainability

391 However, also new emerging luxury attributes such as *sustainability* and *sustainable*
392 *consumption* (Kapferer & Valette-Florence, 2019), or *experientiality* and *hyper-*
393 *personalization* granted by co-creation and advances in technology, are favoring the access to
394 new market segments and contributing to shape the consumption patterns of luxury brands
395 (Han et al., 2017). In line with this context, *sustainability* entails a commitment by luxury
396 brands to adopt eco-friendly practices, reduce environmental impact, and engage in socially
397 responsible initiatives, with new luxury brands acting to be both “gold and green”. A recent
398 stream of research (Ruusunen et al., 2022) argued that the use of the Metaverse can also
399 facilitate consumers to process and internalize green information. For instance, as stated by
400 Papahristou & Bilalis (2017), the detailed and vivid information conveyed through 3D Virtual
401 Prototyping and AR tool improve consumers’ awareness of green consumption, fostering
402 *sustainable* beliefs. Moreover, the *extended lifespan* of products in the metaverse, facilitated
403 by the availability of a ready-to-play product stock for repeated use in various contexts, not
404 only contributes to a reduction in waste production but also delivers tangible advantages to
405 both consumers and companies (Sun, Bellezza & Paharia, 2021).

406

407 4.2.2 *Experientiality*

408 *Experientiality* (Gupta et al., 2023; Rahman et al., 2023) has heightened consumers' desire for
409 more immersive and diverse experiences. This highlights the crucial role of luxury brands in
410 providing pleasure and interactivity through emotional and sensory journeys (Han et al., 2017).
411 In line with this context, the Metaverse holds a huge potential for companies to develop their
412 value propositions and build *ideal customer experiences* by combining virtual and physical
413 touchpoints. As a result, customers could interact and engage with brands within the Metaverse,
414 enjoying emotional and symbolic values and assuming a more dynamic and autonomous role
415 in their experiences, leading to a journey of value co-creation (Makkar & Yap, 2018). "*We*
416 *developed an interactive touch monitor housed in a display case, narrating the story of our*
417 *Serpenti product from the 1940s to the present. This immersive experience was set in a*
418 *Metaverse world, portraying a futuristic Rome where the strategic use of lighting on the clocks*
419 *and jewelry created a visually stunning effect*" (Informant B); "*We are currently engaged in*
420 *research and development involving sensors capable of detecting your physiognomy and size,*
421 *generating a digital replica of you. This enables the virtual try-on of 3D garments, eliminating*
422 *the need to physically try on multiple items. [...] This immersive experience may even involve*
423 *scenarios, like walking in a specific location during sunset, aiming to stimulate your*
424 *imagination about the usability and aesthetic appeal of the showcased garments within the*
425 *Metaverse*" (Informant H).

426

427 4.2.3 *Hyper-personalization*

428 Technology enables luxury to move beyond the traditional older high-net-worth individuals'
429 segment. Metaverse can provide "*access*" and "*engagement*" to new targets. The younger
430 generation can be approached through proper communication across interactive channels.
431 Given that "*luxury brands have always had a very top-down approach to consumers*"
432 (Informant A), the Metaverse can be viewed as a mechanism for fostering "*co-learning*
433 *relationships between brands and users. [...] on the one hand, brands communicate the*
434 *heritage and craftsmanship perception of their product, and on the other hand, digital native*
435 *users drive brands to create tools to keep up with society and technology*" (Informant C), and
436 "*...a gateway of meaningful access to newer younger targets to enter in contact with high-end*
437 *Brands...*" (Informant D). As generations such as Millennials and Gen Z are reshaping the
438 conventional offerings of luxury brands, particularly with a focus on seeking *personalized*
439 experiences, Metaverse offers unique opportunities for consumers that are allowed to shop

440 through a *hyper-personalized* experience in the comfort of their personal space. Indeed, the
441 integration of AR/VR into the existing shopping experiences includes the creation of
442 personalized virtual closets across luxury retailers as well as virtual try-on products across the
443 gaming landscape (Jain et al., 2023). *“We introduced a sensory encounter to convey the*
444 *“essence” of a Informant B fragrance. Guests wore a small sensor, resembling a tiara,*
445 *capturing their brain waves as they strolled through the experience. They could listen to a*
446 *melody associated with the perfume, observe the perfume bottle, and feel the sensation of it*
447 *filling up through an automated bottle with motors. Upon completing the journey, an AI*
448 *software analyzed the collected brain waves, creating an emotional map and generating a*
449 *personalized artwork, potentially available for download to their phones”* (Informant B); *“The*
450 *possibilities for creativity within these virtual worlds are boundless, as is the potential for*
451 *customization. In the Metaverse, we designed logo-branded items like necklaces, bottles, and*
452 *even the trail left by the avatar, available for users to purchase for personalization.*
453 *Additionally, for those who owned the NFT Brand Grail and the Brand Vault Material (a*
454 *digital fabric), we informed them to visit the site on a specified day for the chance to create*
455 *their own customized bag”* (Informant F).

456

457 **5. Which Metaverse Technologies Are More (Less) Effective in Elevating** 458 **Traditional and New Luxury Attributes**

459

460 Given the multi-layer nature of the Metaverse, this section aims to elucidate the correlation
461 between traditional and novel luxury attributes within the framework of key metaverse-
462 enabling technologies (Figure 2). For instance, under a technological aspect, seven pillars have
463 been identified to facilitate user access to the Metaverse. These include i) Augmented Reality
464 (AR) (Yoo et al., 2023), designed to organize and display digital overlays atop the physical
465 surroundings, ii) Virtual Reality (VR) (Lee et al., 2021), offering a three-dimensional
466 perspective of the digital world iii) Mixed Reality (MR), positioned between AR and VR,
467 enabling user interaction with virtual entities in physical environments (Dwivedi et al., 2023),
468 iv) Artificial Intelligence (AI), steering automatic digital twins, avatar autonomy, and computer
469 agents (Barrera & Shah, 2023), v) Computer Vision, encompassing body tracking, scene
470 understanding, and image processing (Yoo et al., 2023), vi) User Interactivity, aiming to
471 enhance the performance of delay-sensitive applications (Kim et al., 2021), vii) Blockchain,

472 facilitating the exchange of NFTs and cryptocurrencies and connecting multiple Metaverse's
473 platforms (Sung et al., 2023).

474

475 5.1 Augmented Reality

476 In particular, Augmented Reality (AR), with its capacity to enhance the real-world environment
477 through computer-generated elements, profoundly influences the traditional attributes
478 associated with luxury brands (Javornik et al., 2021). As supported by Informant H *"As of now,*
479 *we are enthusiastic users of augmented reality and all associated aspects involving the*
480 *utilization of 3D elements. We recognize significant and intriguing potential in this regard"*.
481 Within the realm of *heritage*, AR brings historical narratives to life, offering interactive
482 experiences that showcase craftsmanship, granting an immersive storytelling in conjunction
483 with tactile experiences, a more traditional ways of experiencing product authenticity. *"We have*
484 *consistently focused on storytelling, particularly in the reception context. One crucial aspect,*
485 *within the framework of our stores, is to consistently establish an environment where*
486 *individuals can immerse themselves in emotional experiences while respecting the inherent*
487 *value proposition and authenticity of the products. It's essential to continually elevate people's*
488 *adrenaline levels, ensuring that the value proposition always offers something more*
489 *exhilarating"* (Informant B). The *hedonistic* aspect is enriched as AR introduces layers of
490 enjoyment and engagement, providing users with a sensory-rich encounter (Lee et al., 2021).
491 Furthermore, The simulations superimposed on physical surroundings can visually accentuate
492 the exquisite materials, *quality*, craftsmanship and *aesthetics* of luxury products. *"The*
493 *utilization of this technology ensures the appropriate aesthetics and brand storytelling,*
494 *allowing for the creation of a novel in-store experience"* (Informant B). In the context of novel
495 attributes, AR significantly contributes to enhancing the luxury-brand *experience* by bringing
496 brand elements in close proximity, visually centering the consumer on the brand, and eliciting
497 affective, cognitive, and sensory responses. Additionally, by stimulating multi-sensory cues,
498 AR facilitates heightened product and avatar *personalization*. *"Augmented reality is facilitated*
499 *through sensory objects of varying effectiveness, ranging from current monitors to more*
500 *symbiotic personal systems, including tactile sensors, visual sensors, auditory sensors, and*
501 *others. [...] We reiterate our keen interest in AR technology because it enables hyper-realistic*
502 *3D experiences. In this regard, the metaverse is particularly intriguing as it serves as a*
503 *platform that encourages the extensive utilization of AR and 3D visualization"* (Informant H).

504

505 5.2 Virtual Reality

506 Virtual Reality (VR), crafting fully immersive digital environments, enables the creation of
507 visually stunning virtual worlds that align with the brand’s distinctive style and values. As for
508 AR, VR contributes to the perception of *quality* by allowing users to explore luxury items in
509 intricate detail, fostering an appreciation for craftsmanship, *aesthetics* and excellence (Yoo et
510 al., 2023). To fully engage with the Metaverse, consumers frequently utilize VR headsets like
511 Oculus or haptic devices, allowing them to move and interact within 3D environments much
512 like they would in a physical setting, thus enhancing the user *experience* and the connection
513 with the brand. “*We are exploring technologies that enable the creation of significant sensory*
514 *experiences. Currently, we have undertaken small initiatives using Oculus and virtual*
515 *headsets, as well as smart mirrors. On the digital front, virtual try-ons and tailored*
516 *technologies allow individuals residing on the other side of the world to experience services*
517 *comparable to those offered in a physical store” (Informant C); “*The integration of 3D*
518 *elements into these immersive worlds has seamlessly become a component of our digital value*
519 *chain. Between 2022 and 2023, we have developed over 300 Brand Heritage Game Ready*
520 *products. These have been meticulously crafted with Unreal and Epic Games, forming a*
521 *repository of 3D products that are deployed as needed. [...] In this way, we can prolong the*
522 *lifespan of these products” (Informant B). In line with this context, the metaverse facilitates
523 the dematerialization of inherently durable – by definition - yet intangible products, allowing
524 luxury brands to take an additional stride toward sustainability (Sun, Bellezza & Paharia,
525 2021).**

526

527 5.3 Mixed Reality

528 Mixed Reality (MR), seamlessly blending elements of both AR and VR, plays a pivotal role in
529 preserving and celebrating the heritage of luxury brands. By integrating historical elements into
530 the real world, MR enhances the brand’s connection with its past (Yoo et al., 2023). The
531 *authenticity* of luxury products is underscored as MR bridges the gap between the digital and
532 physical realms, offering consumers a cohesive and *personalized experience* (Hoyer et al.,
533 2020). Indeed, MR is often considered a more robust iteration of AR, establishing more
534 interconnected and collaborative relationships among physical space, user interaction, and
535 virtual entities, thus generating a more enjoyable digital journey and eliciting *hedonic values*
536 (Lee et al., 2021).

537

538 5.4 Artificial Intelligence

539 Artificial Intelligence (AI), driving automatic digital twins, avatar autonomy, and computer
540 agents, transforms luxury attributes through tailored *experiences*. The *exclusivity* of luxury is
541 enhanced as AI enables *personalized* interactions, catering to individual customer preferences.
542 Moreover, AI contributes to the maintenance of product *quality* through smart manufacturing
543 processes, reinforcing the brand's commitment to excellence. *"This technology enables the*
544 *creation of an avatar, serving as your digital duplicate, which can be adorned with 3D*
545 *garments"* (Informant H); *"Platform avatars are inherently diverse, reflecting the distinctive*
546 *aesthetic and language of each platform"* (Informant F).

547

548 5.5 Computer Vision

549 Computer Vision, encompassing body tracking, scene understanding, and image processing,
550 enhances the *aesthetic appeal* of luxury brands in virtual environments. By optimizing the
551 visual elements of virtual worlds, computer vision contributes to the overall aesthetics of the
552 brand, aligning with its unique identity. Moreover, this technology ensures a seamless,
553 enjoyable, and authentic consumer experience, striving to minimize disruptions associated with
554 delays in avatar movements or the processing of backgrounds in the diverse worlds of the
555 Metaverse (Hoyer et al., 2020). *"The emphasis on quality is a fundamental aspect of a luxury*
556 *brand. The personalized experiences, along with the high level of 3D and photorealism,*
557 *contribute to a spectacular presentation. For instance, in Brand's virtual world, you can find*
558 *Brera, a famous Milan's neighborhood, where meticulous details like the sanpietrini on the floor*
559 *and carefully crafted lighting are incorporated. Here, quality transcends mere functionality*
560 *and transforms into beauty, creating a delightful and aesthetically pleasing experience"*
561 (Informant F).

562

563 5.6 User Interactivity

564 User interactivity, facilitated by mobile headsets, haptic devices, and platforms like Oculus,
565 amplifies the hedonistic aspects associated with luxury brands. Engaging and interactive
566 features elevate the pleasure and enjoyment of virtual experiences, creating a sense of
567 experience's authenticity and hedonism. Moreover, it plays a pivotal role in shaping the
568 perception of digital products by enhancing the vividness of images, backgrounds, and luxury
569 items, thereby guiding the user toward a more intense and clear understanding of authentic
570 materials, artistry, and craftsmanship. However, many luxury companies have shown
571 resistance to the use of Oculus and VR headset devices as a means of accessing the Metaverse,
572 citing concerns about their outdated technology, high cost, potential for causing motion

573 sickness, and a sense of isolation from reality. *“Oculus might create a significant friction [...]*
574 *as it imparts a dystopian effect. It diminishes the sense of elegance and elevation within the*
575 *luxury store. The major pain point is that the sales advisor cannot discern what the customer*
576 *is viewing at that moment, leading to a loss of eye contact between the salesperson and the*
577 *customer. [...] When entering a luxury store, customers seek to feel pampered and receive a*
578 *particular type of guidance; discomfort is not what they desire”* (Informant B).

579

580 5.7 Blockchain

581 Finally, blockchain, a decentralized and secure ledger technology, safeguards the *exclusivity* of
582 luxury products in the digital realm. Its role in combatting counterfeiting enhances the
583 perception of *authenticity*, a cornerstone of luxury brands. Moreover, its nature as a digital
584 database, i.e., a secure peer-to-peer network ensuring transaction security (Sung et al., 2023),
585 enables the exchange and purchase of NFTs. NFTs are digital records associated with digital
586 (intangible) or physical (tangible) assets, and their ownership is recorded on the blockchain.
587 “NFTs serve as a communication channel between the brand and users. *“In one of our NFT*
588 *launches, a purchase granted a two-year membership entailing various physical, experiential,*
589 *and digital benefits. Remarkably, we successfully sold 5,000 memberships within a mere 22*
590 *hours”* (Informant C); *“Brand’s inaugural NFT took the form of a digital artwork auctioned*
591 *by Christie’s, with the proceeds of the \$25,000 sale donated to a specific charity. Our approach*
592 *has consistently been artistic, emphasizing authenticity to steer clear of the speculative aspects*
593 *that NFTs can sometimes generate”* (Informant F).

594 Furthermore, we present a table summarizing the findings derived from prior literature and
595 recurring themes from interviews, offering insights into the effectiveness of each technology.
596 The effectiveness is categorized on a scale from three to one arrow, denoting “Very effective,”
597 “Effective,” and “Somewhat effective,” respectively (refer to Figure 1).

598

599 **Figure 1. Technologies associated to Metaverse and their impact on traditional and novel**
600 **luxury attributes.**

601

		Technologies associated to the Metaverse						
		AR	VR	MR	AI	Computer vision	User interactivity	Blockchain
Traditional luxury attributes	Heritage	↑↑↑	↑	↑↑		↑↑↑		
	Authenticity	↑↑	↑↑	↑↑			↑	↑↑↑
	Hedonism	↑↑	↑	↑↑	↑↑	↑↑↑	↑	
	Aesthetics	↑↑	↑	↑↑	↑	↑↑		↑↑
	Premium price				↑			↑↑↑
	Exclusivity				↑			↑↑↑
Newer luxury attributes	Quality	↑↑↑	↑↑	↑↑↑	↑↑	↑		
	Experientiality	↑↑↑	↑↑↑	↑↑↑	↑	↑↑	↑↑↑	↑
	Sustainability	↑↑↑	↑↑↑	↑↑↑			↑↑↑	
	Personalization	↑↑↑	↑	↑↑	↑↑	↑↑↑		↑↑

↑↑↑ Very effective
 ↑ Somewhat effective

602

603

604 6. How Metaverse Creates Value to the Different Stakeholders

605 This section aims to highlight the implications and connections between the Metaverse and the
 606 luxury audience, delineating a transformative landscape across various stakeholders, ranging
 607 from existing and new customers, to employees, investors and suppliers (Figure 2).

608

609 6.1 Customers

610 Traditionally, luxury items were exclusive to the wealthiest social classes and high net worth
 611 individuals, serving as conspicuous symbols of their affluence and social standing (Seo &
 612 Buchanan-Oliver, 2015). This demographic, characterized by substantial purchasing power,
 613 gravitated towards products and experiences that emphasize elegance, craftsmanship, quality,
 614 and sophistication (Rosendo-Rios & Shukla, 2023). Their preferences typically aligned with
 615 well-established heritage brands renowned for consistently delivering exceptional products and
 616 services and delightful in-store experience. *“Stepping into a luxury store signifies a
 617 multifaceted experience. It involves the indulgence of attentive service from the staff and the
 618 sensation of entering a space where all five senses are enveloped in the essence of the brand.
 619 The encounter extends beyond the physical realm, offering a psychological experience that
 620 goes hand in hand with the tangible surroundings”* (Informant D). However, other segments
 621 indulge in occasional forays into luxury, such as a belt, a cap or a bag, often reflecting their
 622 financial capacity. This group, while lacking substantial savings, exhibits an increasing interest,
 623 attention and dedication to the brand (Seo & Buchanan-Oliver, 2015). Consequently, these

624 individuals form a noteworthy customer base for luxury brands, yet their cultural knowledge
625 of the essence of luxury, behaviors and lifestyles markedly differ. Some studies suggest that
626 while the wealthiest consumers view luxury as a means to express their prestige and social
627 status, the middle classes perceive luxury items more as a form of self-reward or personal prize
628 (Silverstein and Fiske, 2003).

629

630 6.1.1 Current customers

631 When it comes to the Metaverse, luxury brands started to “test and learn” novel strategies to
632 *re-generate and reinforce* connections with their current consumer base. For instance, through
633 immersive experiences, personalized interactions, and exclusive offerings, brands could foster
634 additional engagement and strengthen the loyalty of their existing clientele, fostering a more
635 profound relationship. *“The implementation of the Metaverse empowers us to transcend
636 geographical constraints and address the heritage challenge faced by luxury brands. A
637 consumer situated in New York, Indonesia, or any other location, who cannot physically be in
638 Italy, can still partake in the immersive experience and access digital products offered by our
639 brand. This approach not only ensures effective brand storytelling but also enables us to
640 strengthen relationships and foster rapport with existing consumers, even when they are
641 geographically distant”* (Informant B). Moreover, the Metaverse holds the potential to
642 facilitate luxury brands in establishing connections with diverse target audiences, including
643 those who may not have the means to acquire luxury items in traditional settings (*“A metaverse
644 without people is a car without fuel”*; Informant P). As supported by Informant D *“The
645 Metaverse serves as a novel communication channel, providing a unique avenue to engage
646 with diverse communities and customers. It offers the opportunity to deliver distinct and
647 immersive experiences, fostering a new dimension of interaction”*.

648

649 6.1.2 New customers

650 In line with these insights, a shift in the concept of luxury has surfaced over the recent years,
651 driven by a younger tech-savvy target of consumer (Hadi et al., 2023), known for their digital
652 affinity, and less accustomed to engaging with luxury brands in their typical daily journeys (de
653 Kerviler & Rodriguez, 2019). Nevertheless, mirroring their quest for varied, personalized and
654 engaging experiences, luxury brands have begun leveraging the Metaverse as a portal to *access*
655 and *engage* with these segments, creating an appropriate Brandtelling (Giorgino & Mazzù,
656 2018), establishing connections, granting co-creation experiences, serving as an experiential
657 gateway into the realm of luxury. For instance, according to industry experts, the resulting

658 offering present in the Metaverse would then not be only an entry point to attract future
659 customers with limited “disposable income”, but also relevant younger customers who now are
660 less likely to spend their “disposable time” engaging with luxury brands. *“At the strategic level,*
661 *our primary objective was to expand our reach to new audiences through a dual approach*
662 *involving gaming and Web 3.0 activities, encompassing blockchain and NFTs. By establishing*
663 *a constant and authentic dialogue we can generate much more lasting emotion than anything*
664 *else. [...] Through fostering a consistent and authentic dialogue, we can cultivate enduring*
665 *emotional connections that surpass the impact of other interactions”* (Informant F); *“In the*
666 *Metaverse, especially within gaming platforms, older generations may feel excluded due to the*
667 *perceived technological complexity, as the environment predominantly caters to a younger*
668 *demographic. Brands face a significant challenge in finding effective ways to directly*
669 *communicate with these newer generations in this digital interactive space”* (Informant I). Still
670 to be explored behaviors of the new Generation Alpha, that, *“being digitally native, is on the*
671 *one side expecting a superior seamless and perfect experience when interacting in the digital*
672 *world, on the other side is rediscovering the pleasantness of interaction with physical*
673 *environment at retail stores”* (Informant E), *“where the traditional digital experience is*
674 *becoming a sort of commodity, and newer experiences might generate new type of*
675 *engagement”* (Informant E).

676

677 6.2 Employees

678 Expanding the range of potential stakeholders, the integration of the Metaverse within an
679 organization can also influence employees’ work efficiency and enjoyment (Hwang, Shim &
680 Lee, 2022). Therefore, companies started to *“implement mandatory training sessions for all*
681 *employees, providing comprehensive knowledge about the fundamentals of the Web 3.0 world,*
682 *NFTs, and related concepts. [...] Instances have occurred where buyers of our NFTs visited*
683 *our physical stores, asserting their association with specific projects, only to encounter sales*
684 *associates who were unfamiliar with the subject matter”* (Informant C). Ensuring that all staff
685 members are well-versed in these emerging technologies is crucial for maintaining consistency
686 and understanding across customer interactions and *“the successful execution of a project*
687 *within the Metaverse necessitates the wholehearted collaboration and alignment of all*
688 *departments involved. Each department must be on board, working cohesively, and providing*
689 *unwavering support to ensure the project’s seamless integration”* (Informant I). Accordingly,
690 as reported by (Koochang et al., 2023) the Metaverse extends beyond consumer engagement; it
691 provides a unique space and *belongs* for employees to connect, collaborate, and contribute to

692 the brand narrative. By fostering a sense of belonging within the virtual realm, luxury brands
693 can enhance internal collaboration, creativity, and overall employee satisfaction, translating
694 into a more cohesive and motivated workforce (Buhalis, Leung & Lin, 2023).

695

696 6.3 Investors

697 In addition, the Metaverse introduces novel avenues for luxury brands to *outperform* in the
698 eyes of investors. Successful integration and innovation within this digital space can be
699 perceived as a strategic move, signaling adaptability and foresight (Duhaylongsod & De
700 Giovanni, 2019). Brands that effectively leverage the Metaverse to enhance customer
701 experiences, drive sales, and strengthen brand equity may attract heightened investor interest
702 and support as *“the ultimate layer will in any case be the financial impact, generated by
703 additional direct, or indirect, sales”* (Informant E).

704

705 6.4 Suppliers

706 Finally, collaborating and *loyalize* with leading technology suppliers is integral to a luxury
707 brand’s success in the Metaverse. Furthermore, engaging in direct communication and forming
708 partnerships with various technology partners, including suppliers and resellers, offers the
709 chance to access and experiment with technological advancements, including VR hardware and
710 AR visualization tools (Zabel, O'Brien & Natzel, 2023). As supported by Informant C *“The
711 strategy we adopt involves extensive outsourcing as we recognize the complexity of the field
712 and refrain from assuming expertise in-house. Our approach is to seek inspiration and
713 influence from external experts, allowing us to be enriched by their knowledge. By
714 collaborating with those who specialize in the field, we aim to bring our unique perspective
715 and distinctive qualities to the table, fostering a collaborative environment that encourages
716 innovation and creativity”*.

717 The Metaverse offers a dynamic arena for luxury brands to reinforce existing relationships,
718 engage new demographics, foster internal cohesion, attract investor confidence, and fortify
719 partnerships with technology suppliers. Navigating this digital frontier strategically can unlock
720 unprecedented opportunities and elevate the brand's standing across various stakeholders.

721

722 **7. Metaverse as a Tool to Build Competitive Advantage and Achieve** 723 **Strategic Objectives**

724

725 The potential of the Metaverse to *reinforce, re-generate, access, and engage*, affects the
726 essential attributes of luxury, impacting the different stakeholders of luxury brands (Figure 2).
727 The presence of a well-executed Metaverse strategy might then deeply affect the brand value
728 creation chain “customer mindset - market performance - shareholder value” (Keller &
729 Lehman, 2003), and the related primary strategic objectives of luxury, encompassing brand
730 equity, customer equity, as well as financial and market performance. In this respect, executives
731 underline diverse area of the Metaverse’s impact on luxury strategic objectives. While some
732 *emphasize “transposing heritage, brand identity, and image elements in a recognizable way in*
733 *the Metaverse”* (Informant I) to stimulate brand equity, others view the Metaverse “*not only*
734 *as a channel for building equity but mostly as a means to increase turnover”* (Informant D),
735 and to “*introduce new revenue streams for luxury brands”* (Informant F). Through the sale of
736 virtual goods, Non-Fungible Tokens (NFTs), and exclusive digital experiences, brands can, in
737 fact, tap into a lucrative market (Belk, Humayun & Brouard, 2022). Additionally, the
738 Metaverse offers a platform for innovative collaborations and partnerships, expanding revenue
739 potential beyond traditional channels. “*With the first NFT drop, we generated revenues of 8*
740 *million. Of course, economic revenue is a very important aspect to consider in the Metaverse”*
741 (Informant C).

742 Within the Metaverse, luxury brands can forge strong associations and establish a
743 memorable presence, thereby fortifying their uniqueness and fostering positive perceptions
744 among consumers (Hadi et al., 2023), thus fulfilling objectives of brand equity building, in
745 terms of creating brand assets that contribute positively to the overall value delivered by a
746 product (Aaker, 1996), while generating a differential superior impact on the brand (Keller,
747 1993). As stated by Informant A “*if you aim to establish a brand presence in the metaverse, it*
748 *is essential to adopt a long-term perspective on its activation and to cultivate users’ trust over*
749 *an extended period. Building a sustained presence allows for the gradual development of*
750 *visibility and awareness within the metaverse community. This strategic approach ensures that*
751 *the brand becomes a trusted entity, contributing to its lasting impact and resonance in the*
752 *Metaverse space”*. Notably, the application of reality enhancement technologies like VR, AR,
753 and MR in the luxury sector affects the customer journey and contributes to strengthening
754 brand equity (Javornik et al., 2021; Buhalis et al., 2022). These technologies, by enabling
755 virtual personalization and simulating the experience of donning luxury products through
756 avatars, impact the perception of luxury attributes. This, in turn, fortifies the association with
757 the brand’s name and symbol, ultimately bolstering brand equity (Kim et al., 2023).
758 Additionally, engaging in *gamified* activities within the Metaverse has been shown to facilitate

759 deeper emotional connections and awareness with the brand, fostering greater intimacy and
760 commitment among consumers (Barrera & Shah, 2023). *“Gamification is the fundamental*
761 *mechanism for creating constant interaction, contact, and dialogue with the customer. [...] We*
762 *always strive to translate the quality of our products into beauty, and beauty, in turn, translates*
763 *into a pleasant experience. By delivering this kind of experience, we can bring customers closer*
764 *to our brand and increase consumer equity”* (Informant F).

765 Finally, as confirmed by executives, luxury brands can elevate market performance by
766 paving the way to *“a more positive perception of the brand by investors in the luxury sector”*,
767 through better growth expectations derived from the *“access to new potential segments and*
768 *engagement of underserved ones”*, and the *“capability of ensuring innovation within the*
769 *boundaries of luxury authenticity and heritage”*. Virtual environments provide a global stage
770 for brands *“to connect with audiences worldwide, breaking geographical constraints”*
771 (Informant C). Moreover, staying active in the Metaverse allows brands to stay attuned to
772 emerging trends, ensuring they remain relevant and adaptable in a rapidly evolving luxury
773 market.

774

775 **8. Relevance of Key Enablers to Ensure Metaverse’s Impact**

776 The interconnection of the Metaverse’s attributes and core elements with luxury brands, along
777 with its impact on strategic objectives, initiates a reinforcing loop that continuously evolves
778 and elevates the future luxury attributes. As emphasized by industry experts, a prerequisite for
779 the Metaverse to have a truly positive and sustainable impact on such industry involves the
780 implementation and effective execution such as organization, IT systems, and performance
781 metrics (Figure 2).

782 First, luxury brands that want to establish their presence in the Metaverse need to develop
783 the necessary skills and expertise, as well as a proper organizational structure, that can help
784 navigating and capitalizing on the opportunities presented by this new means of
785 communication (Hwang, Shim & Lee, 2022). For instance, it is crucial that *“all the*
786 *departments are aligned, updated and supportive between each other”* (Informant I). This
787 involves *“training and upskilling employees to understand the dynamics of virtual*
788 *environments, digital technologies, and emerging trends”* (Informant C). Additionally, the
789 organizational structure should be flexible and adaptive to integrate new roles and
790 responsibilities related to Metaverse strategies.

791 Second, the backbone of successful Metaverse integration lies in the agile integration of
792 advanced technologies that support seamless connectivity, data analytics, virtual experiences,

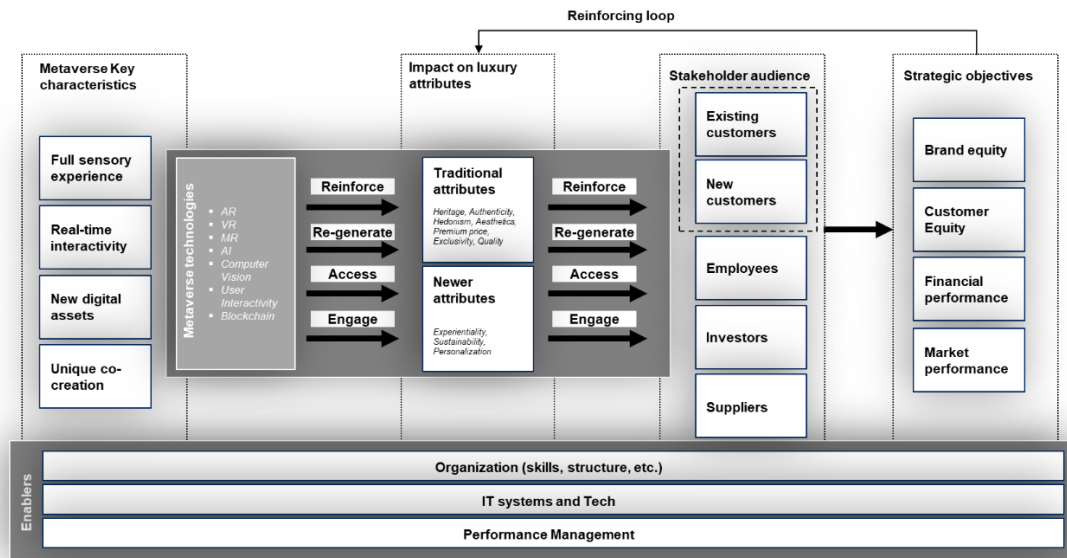
793 while guaranteeing protection and security. The IT infrastructure should be capable of handling
794 the complexities of Metaverse interactions, ensuring a smooth user experience (Lee et al.,
795 2021), and a dedicated function should be ready to “*keep exploring and testing alternatives for*
796 *the benefit of the business*” (Informant B) and “*advancing the use of available technologies for*
797 *guaranteeing market impact of the Metaverse*” (Informant F). Moreover, since vast amounts of
798 data will be generated exploiting the Metaverse, luxury brands might apply the blockchain
799 technology to the data storage system to guarantee the de-centralisation and security of
800 information shared in the Metaverse.

801 Finally, implementing appropriate performance metrics systems enable luxury brands to
802 track and measure the impact of each Metaverse’s initiative and project. To date, there still a
803 lack in terms of desired availability of performance indicators to monitor activities in the
804 Metaverse as “*most of the KPIs are proprietary to the varies platforms, so there’s not an*
805 *independent verification*” (Informant A). According to Informant H, “*the measurements*
806 *should be essentially similar to those in a physical store because, ultimately, the experience*
807 *involves an avatar entering a virtual store. There may be additional considerations related to*
808 *the location, specifically its physical position within this virtual world; however, measuring*
809 *such aspects has become more intricate*”. Therefore, brands should deploy analytics tools and
810 KPIs such as “*monitoring user engagement, repeated visits, time spent when building a*
811 *microverse*” (Informant A), or “*assessing the effectiveness of virtual experiences, and*
812 *gathering insights into consumer behavior within the Metaverse*” (Informant F) are
813 fundamental, as the “*Metaverse should evolve and integrate the performances of the current*
814 *online and physical retail, sales and communication channels*” (Informant E). Moreover, “*it is*
815 *extremely relevant to understand the pace at which wearbale technologies are adopted, if they*
816 *are adopted by the expetected consumers’ target, and how they use them [...] which music they*
817 *hear and why, which content they look at, in which occasion devices are activated*” (Informant
818 L). All these metrics will be essential for making informed decisions, optimizing strategies,
819 and demonstrating the return on investment in the virtual space.

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827 **Figure 2. Integrated model of the impact of Metaverse on the luxury industry**

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831 9. Conclusions

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833 The Metaverse provides a unique opportunity for luxury brands to reinforce their brand and
 834 customer equity, while improving their financial and market performance. Starting from the
 835 understanding of the current mix of attitudes toward this set of technologies, ranging from
 836 skepticism to enthusiasm by top luxury executives, this article aims to establish a theoretical
 837 framework, and the related logical building blocks, that can assist luxury managers in making
 838 informed decisions about implementing impactful digital strategies within the Metaverse.

839 By relying on a set of structured in-depth interviews, our research shows that luxury brands
 840 can leverage the Metaverse to reinforce, re-generate, access, and engage relevant stakeholders,
 841 by positively affecting a relevant set of luxury attributes. This enables brands not only to
 842 strengthen relationships with existing customers but also to embrace new communities and
 843 target audiences. Once luxury attributes are aligned with the Metaverse, brands may experience
 844 a positive impact on their strategic objectives, provided that specific enablers are in place.
 845 Therefore, once the above is set, a significant effect might be expected in strengthening brand
 846 and customer equity, improving company performance, and creating the basis for a reinforcing
 847 loop.

848 Additionally, this paper argued that through careful consideration and the adoption of the
 849 right strategies, luxury managers can unlock the potential of the Metaverse, leverage its unique

850 features to their advantage and create new opportunities for differentiation and growth. The
851 Metaverse can then serve as a powerful tool for luxury managers to achieve their business
852 objectives and stay ahead of the curve in an ever-evolving market.
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1090

1091 **Appendix 1. Disguised list of interviews**

1092

Future strategic interest in the Metaverse	Informant	Sector of the company	Range of turnover (2022)	Informant Role	Years of experience
Yes	Informant A	Luxury jewellery	<0,1 bn Euro	Global broadcast Director	10-20
Yes	Informant B	Luxury jewellery and watches	> 1 bn Euro	Innovation&Transformation Director	>20
Yes	Informant C	Global luxury fashion	> 1 bn Euro	Haed of New Media	10-20
Yes	Informant D	Global luxury automotive	> 1 bn Euro	Global Marketing Director	>20
Yes	Informant E	Global luxury fashion	0,1-1 bn Euro	Chief Marketing Officer	>20
Yes	Informant F	Global luxury fashion	> 1 bn Euro	VP Metaverse Ventures	10-20
Yes	Informant G	Global luxury fashion	> 1 bn Euro	Head of Collection	10-20
Yes	Informant H	Global luxury fashion	0,1-1 bn Euro	Chief Information Officer	>20
Yes	Informant I	Global luxury fashion	0,1-1 bn Euro	Ecommerce Manager	10-20
Yes	Informant L	Global luxury eyewear	> 1 bn Euro	Global Head Brand eyewear	10-20
Yes	Informant P	Global luxury fashion	> 1 bn Euro	Global Chief Digital, CE & Transformation Officer	>20
No	Informant M	Luxury jewellery and watches	> 1 bn Euro	Chief Client Officer	>20
No	Informant N	Global luxury fashion	> 1 bn Euro	CEO	>20
No	Informant O	Global luxury fashion	> 1 bn Euro	Chief People Officer	>20
No	Informant Q	Global luxury fashion	> 1 bn Euro	CEO	>20

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1095 **Appendix 2. List of questions**

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Interview's guide
1. Priorities and challenges for brands in the Metaverse from a managerial perspective.
2. Performance metrics systems: current situation, informational gaps, and desired outcomes.
3. Elements of Brand Identity (delivery, execution) in the Metaverse.
4. Mechanisms for developing Brand Engagement and the consequent development of Brand Love/Brand Hate in the Metaverse.
5. Sensory elements that stimulate Brand Engagement in addition to or connected with the Metaverse.

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