

Web 3.0 and the Modern Consumer Businesses

How brands can embrace the new internet era to unlock exceptional business growth and customer excellence.



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Introduction

Web 3.0, also referred to as Web3, is the next evolution of the *world wide web* (WWW). As much as today's WWW is a massive evolution over the original text and lynx-based browser with full video and multimedia, Web3 promises to be the next giant leap in how we use and interact with the internet.

Today's WWW is powered by protocols such as TCP/IP, UDP, HTTP/1.1, 2.0 etc. However, an end user requires a modern browser such as Chrome or Firefox to experience how it truly enables rich visual experience, collaboration, communication and internet commerce, among others. This experience of creating, publishing, and accessing digital content is collectively referred to as Web 2.0.

Like the web browser technology did for web 2.0, Web3 demands a more immersive experience. And the hardware and software that collectively power this immersive experience is called the *metaverse*.

When we peel the browser layer today and look beneath, we see all the protocols that power the Web 2.0 WWW. Similarly, the underlying power of Web3 is *Blockchain*, and it forms the basic building block for authenticity, provenance and finance in Web3.

Goals

As retail CxOs, our role is not to question the evolution of the WWW but explore how we could best leverage it to grow the business on this new platform. Some of the CIOs we spoke to regarding this were looking for answers to

- What does metaverse mean to consumer business?
- Are we ready for a consumer business to enter and thrive in the metaverse?
- What new tools and technologies I should invest in?
- How will my current eCommerce/In-store systems serve the metaverse?

This paper will attempt to help find answers to the above questions while discussing the key capabilities of Web3 components and the metaverse.

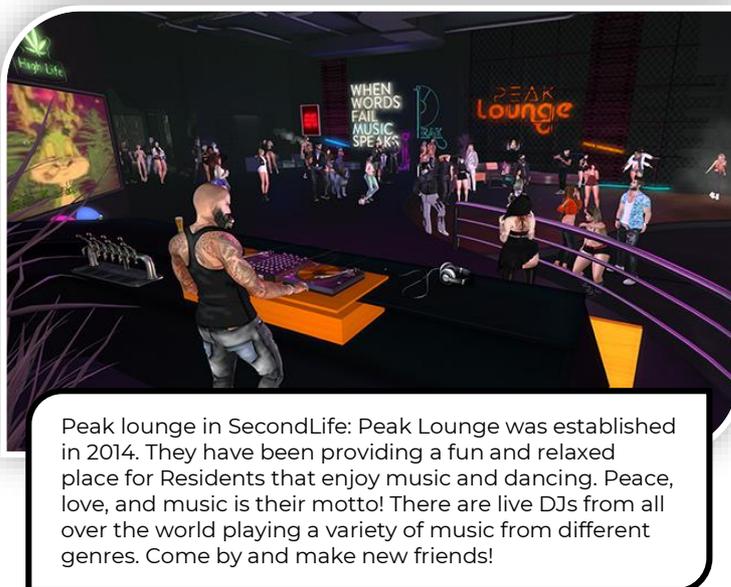
The Key Principles of Web3 and the Metaverse

The metaverse as we explained earlier is how the next generation of WWW users will be able to experience Web 3. The principles on which metaverse is based on, are as follows:

Immersive Engagement

The metaverse offers an immersive experience to the web. Tools like virtual reality headsets and tactile gloves allow us to experience the new web in ways and means that were not possible with the current web.

For example, the ability to touch and feel fabric, the ability to look underneath a car to visually see the ground clearance, the ability to walk around a hotel/conference venue before making an actual trip and many other real-life use cases are the promise of the new web.



Peak lounge in SecondLife: Peak Lounge was established in 2014. They have been providing a fun and relaxed place for Residents that enjoy music and dancing. Peace, love, and music is their motto! There are live DJs from all over the world playing a variety of music from different genres. Come by and make new friends!

Such immersive engagement of users will make them even more well informed and well attuned to products & services they attempt to purchase, even before buying.

Immersive engagement use cases are evolving rapidly, and we keep seeing examples of about new ideas every day. It reflects the promise of what the new web would provide.

Community and Collaboration

Web 2.0 collaboration enabled concepts such as joint browsing sessions with friends and customer support personnel. While practical and efficient, it still represents a fringe capability of Web 2.0. In the metaverse, community and collaboration form the core of the experience.

If we look at the early beginning of the metaverse in platforms such as *SecondLife*, the critical use cases revolved around people getting together in their virtual clubs and homes, having interactions and engaging in activities. And what metaverse promises to deliver is to make this collaboration more personalised, immersive, and communities more diverse, inclusive and engaging. **Any business capability that we plan to build in the metaverse should have deeply embedded community and collaboration capabilities to provide a Web 3 native experience.**

Decentralized and Open

Web 2.0 paved the way for the growth of digital native retail businesses and helped retailers primarily with physical presence improve their marketing & business capabilities. This was made possible through large customer datasets (demographic, behavioural) used to target advertising and enhance other functions. However, the flip side of this was consumer dissatisfaction with data privacy. The userbase felt powerless against large companies using their personal information for marketing and key business decision making.



Web3 promises to give end-users the ability to control how much of their information is shared with large technology businesses.

The principle idea here is to provide increased data security, scalability, and privacy for users and minimize the influence of large technology companies on their daily lives.

Digital exchange of goods and services

The interactivity in Web 2.0 created a completely new class of digital businesses such as Google and Facebook and disrupted existing industries such as Movies (Netflix) and Retail. (Amazon)

While it has proven to be an established mechanism for online sale and purchase of goods/services, Web 3 aims to move this needle forward with

- the delivery of a new generation of services online
- new forms of payment collection for these and other products/services

However, the challenge in the digital delivery of services today is that there is no easy way to track the actual recipient of the service and truly measure the service quality as per the contractual obligations.

Digital services, by very nature, are easily replicable. Thus, it can be easily copied and shared illegally with multiple consumers. While Apple (with iTunes) and Netflix have solved the problem through an economical approach to reducing piracy, there is still no way to identify if a person has actually received the service or not by measuring their performance.

The concept is best explained with an example of an online course delivered with various exams and other mechanisms to measure progress/success. Today at the end of the event, a completion certificate (online or PDF) is provided that can be used to verify that a person has completed the course. Now there are a few drawbacks to this approach.

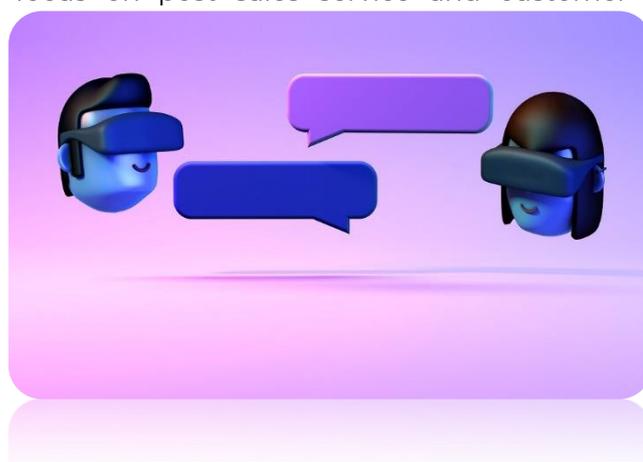
A PDF-based certificate can be easily forged, and a centralized validation back to the provider leaves the recipient at the risk of the provider going out of business and shutting the service down. Now, Web3 solves this through public blockchain, where such achievements are recorded and stored in a decentralized fashion that is immutable. Thus, ensuring that the information is available for posterity in a publicly verifiable fashion.

Another important concept that Web3 provides is the ability to define in code a legal contract between the service provider and service recipient. Thus, as the service recipient acknowledges the quality of service received, the code automatically can execute a set of pre-defined contractual terms such as payments to be made, endorsements to be created, and information to be shared with other interested parties about the terms of this particular contract.

This ability to codify legal contracts gives Web3 users the unique ability to accurately measure providers since their performance is automatically recorded and made available in a publicly verifiable fashion.

Increasing the customer touchpoint lifetime

Web 2.0 and eCommerce focused predominantly on all aspects of customer interaction up to the transaction/sale. There was less focus on post sales service and customer management beyond attempting to throw more marketing at the customer by analyzing their behavior to identify other products and services that can be marketed to them.



In that sense the entire Web 2.0 seems to be “front loaded” towards marketing and sales and less along the lines of understanding how the customer uses a product or service after the sale is completed.

This front-loaded trend is further evidenced by the fact that most “BigTech” companies focus on advertising as their main driver of revenue. While CRM and Analytics solutions exist, it is more geared towards answering questions / FAQs and providing data to the advertising platform to enable further sales.

The reason for such a trend is possibly because traditionally, consumers purchased more products as compared to services, and as the product reaches their home, their interactions with the product will not be within the purview of the seller.

Web3 offers a unique opportunity to improve this shortcoming since it enables the buyer and seller to interact in an augmented world, any time after the purchase.

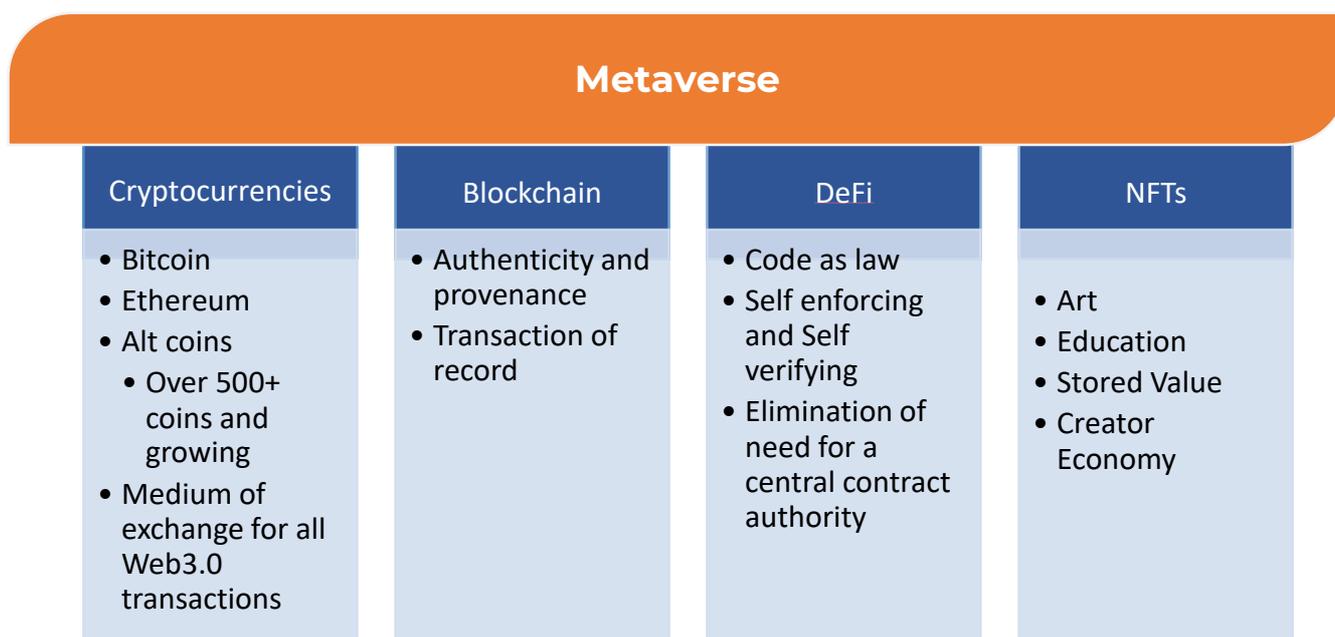
While a buyer can ask questions about the product, seek help in using it, or fix issues with it, the seller can provide ongoing service on the product such as education, demonstration warranty and preventive maintenance.

Customers can now see the power of the brand extending throughout the product lifetime, giving a better loyalty and affinity to the brand.

Understanding the Web 3 Realization Stack

This section explores the various components that constitute the Web3 stack. There are fundamentally four technology components to the Web 3 stack: cryptocurrencies, blockchain, decentralized finance (DeFi), and Non-fungible tokens. (NFTs)

The metaverse exists on top of this stack to realize each component when they are orchestrated with each other.



Cryptocurrencies

Acts as a medium of exchange for any financial transaction within Web3. Cryptocurrencies are used instead of fiat currencies as they allow for ease of transfer, complete audit trail of transactions and are programmable. These three capabilities of cryptocurrencies enable other aspects of Web3, such as DeFi to be easily integrated into the overall stack.

Blockchain

Blockchain is by far the most important invention that powers most of Web3. Conceptually, it is a digital ledger where all transactions in Web3, both financial and non-financial, are recorded.

The key advantage of recording a transaction in a blockchain is that its

- Open: The entire blockchain is transparent to all the users who have been given access to it. This allows users to verify any transaction at any point in time.

- **Immutable:** Once a transaction is written to a blockchain, it cannot be altered even by the original author. This allows the ledger to be tamperproof, a very powerful feature for proving the authenticity of transactions.
- **Trustless:** Blockchain removes the need for central authority to act as a trusted third party for facilitating a transaction. Blockchain provides a unique mechanism using two new technological concepts called “proof of work” and consensus algorithms to remove the need for a trusted third party.

DeFi

DeFi offers the ability to create and manage financial instruments and contracts without intermediaries such as banks, brokerages, and exchanges. It basically aims to recreate traditional finance systems using cryptocurrency.

DeFi is enabled through smart contracts created on a blockchain platform (Ethereum, Stellar, etc.) that allows for contractual terms to be created as code and automatically executed when the predefined conditions are met and verified.



NFT

NFT is an acronym for Non-Fungible Tokens.

A digital token that represents the unique identification and ownership of a digital asset, verifiable through a blockchain ledger by other parties. It includes digital creations such as arts, videos, music, photographs, collectibles, text, bits of code, virtual real estate, among others.

Metaverse

Metaverse gives the end-user the ability to have an immersive experience while seamlessly using all these technologies.

A typical day in the metaverse could mean

1. Using an immersive experience to sample a service
2. Negotiating a purchase and payment plan with the seller. Recording the entire plan in a DeFi platform.
3. Initiating the purchase of the service on the DeFi platform, which facilitates the transfer of cryptocurrency
4. Completing service consumption while recording progress on the DeFi platform
5. The DeFi platform orchestrating all intermediate milestones, deliverables and payments for the services delivered.
6. Finally, at the end of the contract, the DeFi platform releasing an NFT that represents the service is authentic, and the recipient is now the official consumer of the service.

A complete purchase/consumption journey in the new Web3 can be formulated while sitting in the comfort of your home with immersive and tactile experiences.

Role of Metaverse in Consumer Business

There are multiple BigTech companies that have decided to invest in Web3 and metaverse. Facebook, Microsoft, IBM, to name a few.



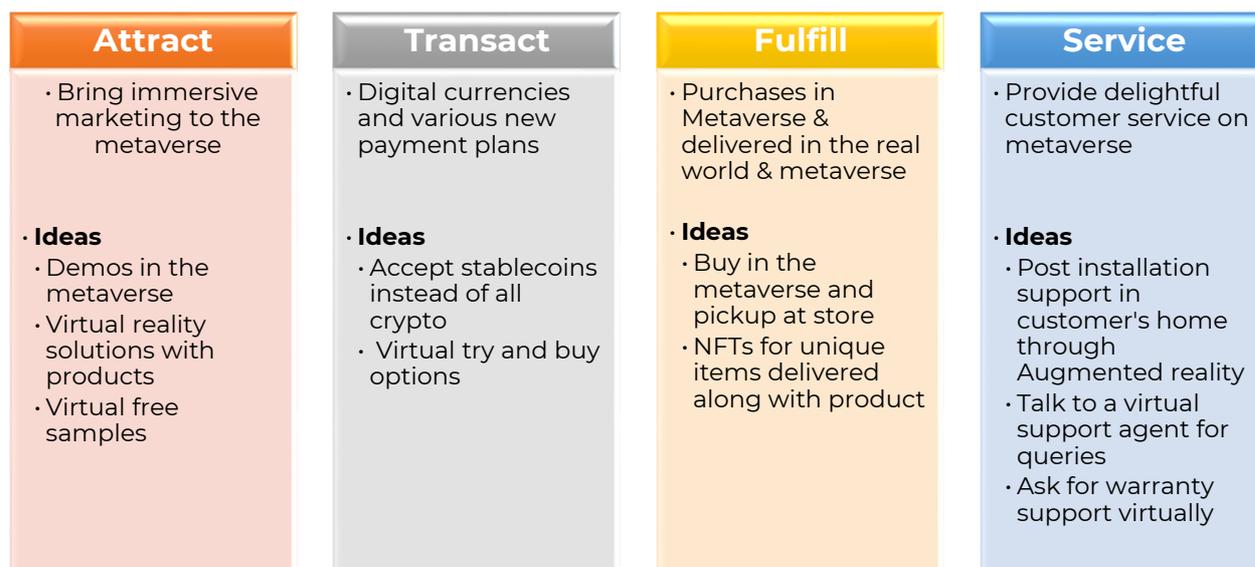
Their goal is to build the metaverse as a consumer-facing experience that's easily available like the current internet and Web2 services. **As the owners and authors of consumer businesses, we should look at leveraging Web3 faster than we did with Web2.**

If Web3 turns out to be the gold rush that Web2 was, the winners are the ones who hit the coast first! As consumer-oriented businesses, we should consider two key areas as focus, namely,

- ✓ our customer touchpoints
- ✓ employee engagement and education

Our employees are a key touchpoint with our customers. Keeping them engaged and knowledgeable also increases our brand's value proposition with our customers and their lifetime value with us. With Web3 giving us unique ways to increase customer touchpoint lifetimes, building a more knowledgeable workforce will be key to leveraging these new Web3 capabilities.

Building newer customer touchpoints on the metaverse are the obvious next steps when it comes to focused customer solutions. Here is a framework on how to look at various customer touchpoints and build an approach for the same.



Attract

The deep investments today in the metaverse is being made by companies whose main source of income is through online advertising. We expect deep maturity in the metaverse in terms of attracting customers to our products or services.

A new set of marketing tools, partnerships and affiliate partners will emerge whose key role is to present the business to the metaverse audience. **No innovative investments have to be attempted in this space, rather leverage the existing players and their large investments to build an audience in the metaverse.**

Transact

The early adopters of businesses in the metaverse will be looking for various financial options that are in line with what Web3 offers.

Support for various forms of cryptocurrencies, 'buy now pay later' instant approval loans etc., would be the key. **A good partnership with a Fintech company that specializes in Web3 and various cryptos will give us the innovative edge in terms of providing choices to metaverse audiences.**

Fulfill

Traditional consumer businesses have a unique value proposition as compared to purge digital players. They have access to the customer in real life (IRL, as the metaverse natives call it). They are being able to provide better fulfilment options from various physical channels for both physical goods and digital services.

Digital businesses, on the other hand, can deliver their digital products and services in the metaverse using the enhanced experiences that the platforms would offer. **They can leverage the newer tools to increase customer engagement in the virtual world.**

Service

Providing customer post-sales support and service is one function where the metaverse offers superior capabilities than IRL.

Being able to have a customer service agent “with you” from the metaverse walking around your home that is overlaid on the metaverse, allows them to help in the areas of product installation, product servicing and maintenance issues. **It also helps in providing personalized user training in their own environment and using their own products, thus enhancing the post-sales service capability of any organization.**

Another evolution that we see would be the traditional “chatbots”, which will evolve into VR bots that can help answer basic queries and solve simple problems for customers. A definite improvement over text-based interfaces, we could say.

To deliver superior customer service, a company should have a larger support team that is highly trained in communication and customer interactions, an important capability that many businesses have to build.



Employee Engagement and Training

The focus on employee engagement and training to build a superior services team is an important capability for the metaverse.

To build such a service team, we should leverage the power of the metaverse to coach, train and prepare the workforce. This allows the team to be “natives” in the metaverse on the company’s products, a capability that will manifest in every interaction they have with customers.

Conclusion

All innovative ideas will require experimentation and experiments tend to have failures.

However, there is greater value in leveraging these emerging technologies to become more seamless, streamline & operate without borders and provide a better experience for users in an enhanced, connected and secure environment.

Many investments in the eCommerce space did not move forward because the return on investments didn't work out the way they were planned. While eCommerce has been an enormous growth engine on the whole, those who took the bold steps and did some experiments either succeeded or learnt valuable lessons that helped them grow eventually in their eCommerce initiatives.

If you have a global consumer presence that has capitalized on the Web 2 eCommerce to grow your business, Web 3 can provide you with an enormous scope of business continuity, user journey and revenue.

This space is so rapidly evolving that the ideas quoted in this paper could potentially become reality within a few months. Moving fast, making mistakes and learning and evolving from them would be the best course of action. We would love to partner with you in this journey.

Let us start a conversation today!