

How will the metaverse change our behavior as it reshapes experiences?

(PART 3)



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The potential impacts of the metaverse on human behavior are yet unknown, but behavioral economics can help us explore the possibilities.

(CONTINUED FROM PREVIOUS EDITION)

It's not hard to see how this principle could be much more potent in the metaverse than in any previous marketing channel. To an unprecedented degree, designers will have the ability to vary practically every visual and auditory cue that users encounter. Expect much experimentation on this front, with companies aiming to customize stimuli to maximize the effectiveness of their marketing pitches for each individual customer.

“Consumers increasingly expect experiences that are frictionless, anticipatory and relevant. This will be even truer in the metaverse, which is all about the experience.”

Janet Balis
EY Americas Marketing Practice Leader

The paradox of choice

Another well-known behavioral bias is the IKEA effect, named after the global retailer of assemble-it-yourself furniture. This effect leads individuals to disproportionately value objects they make or assemble themselves.

The IKEA effect has applications in scores of settings, from parents getting their children to eat their veggies by involving kids in the meal prep to sporting goods companies allowing customers to design their own sneakers. In theory, the metaverse could take this to a whole new level. A sneaker company can only allow so much customizability since each additional customizable feature of a physical product adds manufacturing complexity and cost. In a digital space, the marginal cost of adding more customizable features is essentially zero, so it might seem logical to allow users almost infinite flexibility in customizing their avatars, skins and habitats.

But here we run up against another behavioral bias: the paradox of choice. In his book by the same name, Psychologist Barry Schwartz finds that, beyond a certain point, having more choices actually reduces customer satisfaction by leading to anxiety and decision paralysis. For metaverse marketers the lesson is evident: empower people to customize

their metaverse personas – but don't overdo it.

The psychology of “artificial scarcity”

Today's metaverse gold rush is also conducting some fascinating experiments with another element of consumer behavior: the psychology of scarcity.

Scarcity is fundamental to the functioning of economies and markets. Scarcity gives things value – which is why OPEC was formed and why the value of an artist's works rises immediately after their death. Indeed, from the capital allocation decisions of companies to the consumption-and-savings decisions of households, a central function of markets is to optimally allocate scarce resources.

So, what happens to a market when scarcity disappears? This is a question that people are exploring in these early days of the metaverse. The answer many have gravitated to is an odd construct: artificial scarcity. To drive up the value of assets that could conceivably be limitless in a digital space (e.g., digital land or digital art) people are attempting to constrain supply through the use of mechanisms such as non-fungible tokens.

So far, it seems to be working, but the boom market for artificially scarce digital assets may be driven by a behavioral bias highlighted not by behavioral scientists, but rather by the Twitterati: fear of missing out, or “FOMO”. If the fundamentals of artificial scarcity are questionable, it's also worth questioning how sustainable the phenomenon is and what will drive value in the metaverse in the long-term.

In a market built around virtual experiences, perhaps the value driver won't be the “virtual” as much as the “experiences”. Instead of competing on commodifiable digital assets, shouldn't companies be competing on creating experiences that users find compelling, empowering and rewarding?

“Consumers increasingly expect experiences that are frictionless, anticipatory and relevant,” says Janet Balis, EY Americas Marketing Practice Leader. “This will be even truer in the metaverse, which is all about the experience.”

Chapter 4

Moving forward: some principles for leaders

Here are three principles for business leaders as they consider their metaverse strategies:

1. Think expansively

While many companies have seen immediate potential in marketing, the metaverse could be game-changing for every aspect of human behavior, from improving mental health to tackling climate change and enabling better teaming at work. This article just scratches the surface. Is your metaverse strategy considering the full spectrum of opportunities you could leverage?

Leveraging these opportunities requires asking the right questions in the right order and at the right time. Why do you need a metaverse strategy to serve your customer and business goals? When will you need it based on your customers' adoption of the metaverse? Where will you want to be in the metaverse based on customer adoption and scale? What experience do you want to build? How will you do it?

2. Experiment and learn

We are in early days. Much is still unknown. The insights in this article apply research from other domains to the metaverse. But the metaverse itself is unprecedented and largely unstudied. It could engender behavioral changes we haven't yet envisioned.

Perhaps the biggest lesson companies can draw from behavioral economics is to borrow its research methods. Behavioral researchers have often gained groundbreaking insights using experimental economics – ingenious and inexpensive studies designed to unearth the quirky, often counterintuitive ways in which people actually behave. What new insights could you derive about behavior in the metaverse, and what competitive edge might they give you?

3. Design for ethics

Seemingly small design decisions can have huge consequences – from airplanes

that fall out of the sky to devices that fuel devastating addictions. Consider the impact of every design decision. Don't leave those decisions to only engineers; bring behavioral scientists into the conversation early in the process.

Being deliberate and thoughtful about the behavioral implications of your design decisions requires process and structure. What governance frameworks do you need? Is it time to consider ethical review boards for metaverse products?

Lastly, this applies to more than tech companies. For too long, marketers have used behavioral economics principles to get people to spend more than they can afford on things they don't need. How will you use behavioral insights to empower, not exploit, your stakeholders in the metaverse?

Summary

Whether by intent or accident, the design of human-facing technologies influences human behavior. The metaverse promises to create new interfaces, sensory experiences, social networks and market dynamics. Companies should pay close attention to the design of each of these elements to empower their stakeholders and thrive. ■

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