

Metaverse in Crisis:

Analyzing its Decline
and Contributing
Factors



In 2021, when Facebook rebranded itself to "Meta" and launched the metaverse, unveiling its ambitious vision for the virtual world, anticipation soared to unprecedented levels. There was a lot of hype around the art of possible in the metaverse. In response, several companies enthusiastically embraced this concept and jumped on the bandwagon, attempting to create their versions and contributing to the metaverse.

However, in 2023, interest in the metaverse has

significantly declined. There's been a considerable reduction in online searches related to the metaverse compared to a year ago.

Virtual estate and digital assets have seen a decline in interest as well. Platforms like Decentraland are getting far less footfall than expected. This has led many individuals and industry leaders to question whether the metaverse was merely a passing fad, with the enthusiasm that once surrounded it now dissipating.

What is the metaverse?

The word "metaverse" refers to the entire virtual world in which people interact with each other digitally using extended reality (XR) technologies such as augmented reality (AR), virtual reality (VR), and mixed reality (MR). This metaverse represents a parallel digital universe that coexists with our physical reality, essentially serving as a 3D iteration of the web.

The COVID-19 pandemic forced a rapid transition to online ways of working, schooling, shopping, entertainment, and more. The metaverse gained unprecedented momentum during this period, leading to immediate acceptance – faster than anyone could have predicted. Within this metaverse, every

participant possesses a digital avatar, which serves as their digital alter ego, facilitating communication and interaction with other users' 3D avatars.



Why is the metaverse dying?

While various factors can hinder the success of a technology, the metaverse faced two substantial challenges right from the start.

Since its inception, the metaverse has struggled to demonstrate its practicality and relevance to a broader audience. It lacked a distinct mission statement that outlined its significance, often being portrayed simply as a flashy iteration of the internet promising a more immersive user experience.

The metaverse was pitched as an essential piece of Web 3.0. However, due to fundamental issues with the hardware, network infrastructure, required skillset, and standardization, the representation of the metaverse never came close to what it was initially envisioned to deliver.

Apart from these issues, we have detailed other vital factors contributing to the declining interest in the metaverse.



No uniform definition of the metaverse

When Meta released the metaverse concept, they described it as a virtual world parallel to our physical reality, where users could replicate real-life activities and experiences.

As of today, there is no concrete definition of the metaverse. Companies are creating their offerings, but a unanimous consensus on its exact nature remains elusive. This evolving landscape encompasses various elements, including digital

twins, 3D walkthroughs, VR environments, and even multiplayer games like Fortnite, which are characterized as metaverse platforms. Some offerings are built on digital land, like Decentraland, while others, like Spatial.io, are accessible without the need for proprietary digital land ownership.

Since the foundation of the concept and technical details are still unclear, we believe it is one of the reasons why the trend of the metaverse is declining.

Diminished overall interest

When Mark Zuckerberg initially unveiled the concept of the metaverse, it generated significant excitement. However, since no applications accurately depicted the metaverse, public interest began to wane. The later metaverse offerings were either hardware-dependent (VR headsets) or failed to gain widespread popularity.

As per CMSWire's State of Digital Customer Experience report, 42% of organizations display no discernible interest or are not paying attention to the metaverse. Additionally, another 39% have taken a

'wait and see' approach regarding its development.

Due to the lack of interest among the general populace, investors are hesitant to perceive potential opportunities for funding initiatives in this technology. The prevailing sentiment is that there's a significant risk of products failing to gain widespread popularity or even facing the prospect of being discontinued. While the underlying technologies like AR and VR have made a mark on the users, metaverse has yet to create a similar buzz.

Cost-efficiency and accessibility

The metaverse was pitched as a device-agnostic technology. Users could access it from their phones, PCs, or VR headsets. However, the current state of most metaverse worlds resembles that of conventional first-person or third-person games on a PC or smartphone.

Using a headset is recommended for an optimum immersive experience of the metaverse. However, the current prices of VR headsets are somewhat prohibitive, deterring many from investing. They also become obsolete very soon since VR technology is evolving rapidly. A case in point is the Oculus Go VR headset, launched in May 2018 but was discontinued just two years later in June 2020. Current headsets are also

pretty bulky and uncomfortable to wear for extended periods. This becomes a hassle for reaching out to a more extensive user base.

Moreover, the metaverse solutions must have 60-90 fps (frames per second) to provide a superior experience on headsets. Insufficient application performance can lead to user discomfort, including dizziness and nausea. There also is a need to have higher network bandwidth to render high-quality 3D worlds, or else the overall experience may fall short of expectations.

A learning curve must also be followed before users can comfortably and seamlessly use a VR world. Navigating the virtual world on a PC might be easier for the gaming-savvy Millennials and Gen Z, but older people may find it difficult.



Insufficient privacy and security measures

Metaverse platforms have rudimentary privacy measures in place as of now. Due to the lack of standards, it becomes more challenging to enforce privacy laws. A large amount of data is exposed on metaverse applications in text, audio, and video, so privacy becomes even more paramount.

There is a need to define privacy and security measures to ensure user data is safe.

Niche skillsets, high development costs

Developing metaverse applications is a time-consuming and expensive task. It involves the creation of 3D worlds, UI, avatars, integration of blockchain platforms, etc. The technologies used to create this are niche, and skills are difficult to find.

Unrealistic social interactions

For a genuinely immersive experience to feel realistic, it should ideally engage all five senses. However, current VR technology and 3D experiences are limited to stimulating the audio and visual senses. While research on haptic gloves and bodysuits is underway, it's a long way before that becomes mainstream. The simulation of limited senses takes away the realism aspect. The social interactions won't feel real enough until the users can accurately see the emotions, facial expressions, and movements.

Interoperability

A significant aspect of the metaverse is its interoperability. However, the blockchain frameworks are not interoperable due to security and privacy challenges. There are no clear answers on how a metaverse built on two separate blockchain frameworks will communicate seamlessly.

The absence of a standardized tech stack leaves metaverse platforms open to being built using various technologies, making it even more challenging to make them interoperable. Almost every commercial metaverse platform is independent, and users can seamlessly wander only in the spaces built on that platform.

Lack of standards/regulations

Social interaction with other users will be a crucial aspect of the metaverse. However, since the metaverse is at a very niche level as of now, there aren't a lot of guidelines/regulations/codes of conduct to track how users behave in these virtual spaces. Users' safety and comfort must be of prime focus when it comes to fully experiencing the metaverse. An increasing number of reports have emerged regarding users, primarily women, experiencing harassment, assault, and unwelcome advances from other metaverse users. Such incidents can potentially ruin and significantly diminish user experience, leaving many hesitant to explore metaverse spaces in the future.

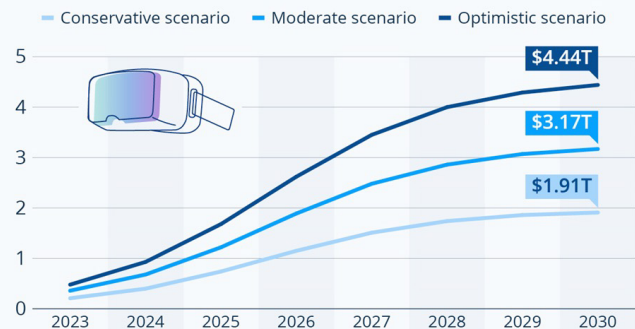
The road ahead

As discussed above, many challenges exist with the metaverse as a technology. To ensure that the growth becomes upward, there needs to be a course of action defined to address these issues. Otherwise, the metaverse will become just another fad that dies without reaching its true potential.

According to Statista's analysis and predictions, the chart above illustrates the total addressable metaverse market across three scenarios: conservative, moderate, and optimistic, spanning from 2023 to 2030. By 2030, a 15% shift from the digital economy to the metaverse is assumed in the conservative scenario, a 25% shift in the moderate scenario, and a 35% shift in the optimistic scenario. By 2030, the total addressable metaverse market forecast is \$4.44T in the optimistic scenario, \$3.17T in the moderate scenario, and \$1.91T in the conservative scenario.

Metaverse: The Land of Opportunity?

Forecast total addressable metaverse market, by scenario*



* Scenarios represent specific shares of the digital economy shifting to the metaverse: conservative (15%), moderate (25%), optimistic (35%). Source: Statista Advertising & Media Markets Insights



Meta predicts that in the next 10 years, about 1 billion people will be onboarded on various Metaverse platforms. Additionally, Gartner forecasts that by 2026, 25% of people will spend at least one hour each day working, shopping, and more in the metaverse, while 30% of organizations worldwide will offer products and services.



What Zensar has done in this space

Zensar has been investing in technologies like AR, VR, AI, and blockchain for several years, positioning us at the forefront of metaverse platform development. Our innovation lab is dedicated to research and building competency in niche technologies. We've worked on numerous projects, Proof of Concepts, and co-innovations across domains like manufacturing, automotive, retail, and BFSI. We have also created a virtual replica of our innovation labs in the metaverse.

Zensar has been actively engaged in various facets of metaverse technologies, encompassing the development of VR walkthroughs, digital twins, virtual

reproductions of art galleries, retail establishments, and banking branches, as well as exploring NFT and blockchain applications. Our diverse portfolio includes the creation of immersive product catalogs, training materials, and maintenance guides, along with implementing AI-based accelerators designed to streamline asset creation for the metaverse. In an era marked by an escalating demand for immersive and interactive experiences, Zensar is firmly positioned to assist our clients in elevating their customer engagement through our comprehensive suite of offerings.

Conclusion

The metaverse is in its nascent stages, and its ideal form is yet to materialize fully. Achieving a comprehensive metaverse requires companies to continue developing necessary infrastructure, policies, and other elements. A strategic plan is imperative to address fundamental issues that can potentially prevent the evolution and adoption of the metaverse.

Initiatives like the Metaverse Standards Forum, in which Zensar is an active participant, exemplify the industry's collective commitment to standardization and establishing best practices within the metaverse

space. The unveiling of Apple's Vision Pro will also affect the metaverse significantly. Similar technological enhancements will enable the adoption of the metaverse.

The metaverse has already brought significant disruptions across various industries, and its potential for further disruption is poised to expand as it continues to evolve. While it might appear that the technology is encountering some challenges, we firmly believe it is far from being on the brink of obsolescence.

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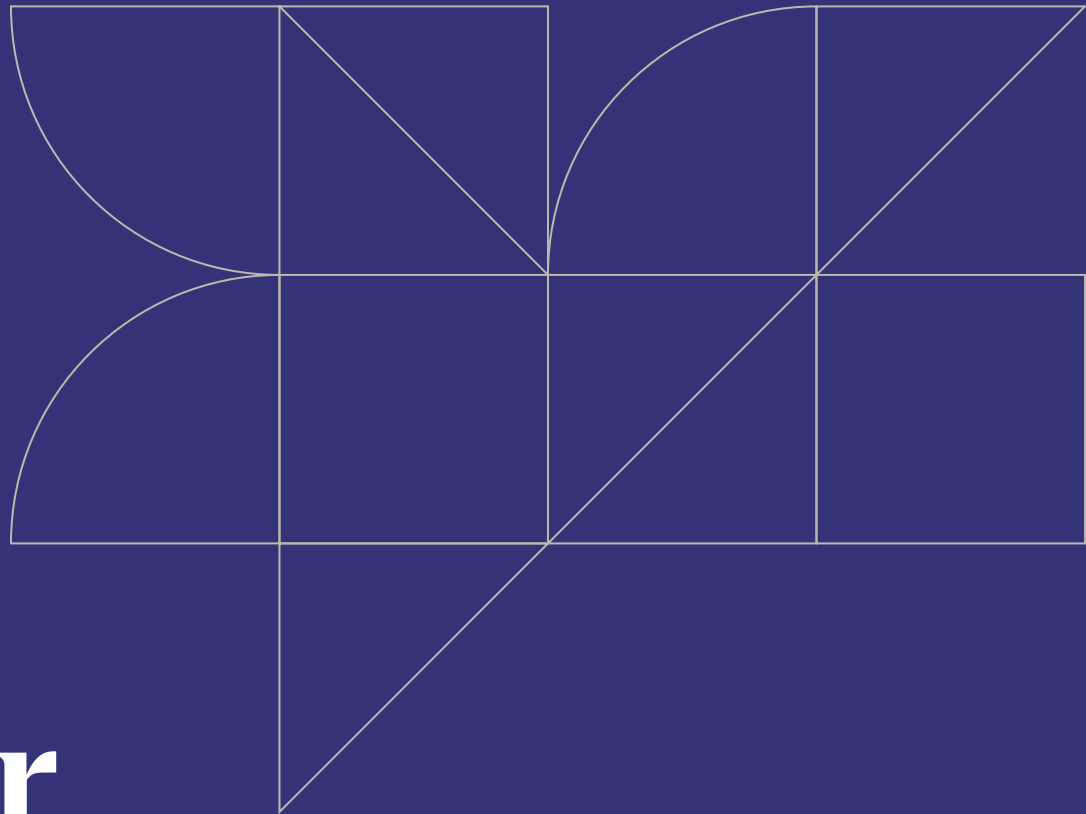
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