

Is Fashion prepared for Web3 opportunities? METAIL'S LOOK INTO WEB3



CONTENTS

01	Introduction	

- 03 Web3 and Consumer Behaviour
- 06 Web3 and Environmentalism
- 11 Web3, The Creator Economy & Fashion
- 13 Potential Use Cases for Web3
- 14 About Metail
- 15 References

INTRODUCTION

Web3 is the next iteration of the internet- and if Web2 (our current internet) has taught us anything, it is that as the internet iterates the whole business world reverberates. This next iteration has already begun, albeit currently in a small form¹. For everyone involved in the design, creation, sale, resale, renting and recycling of clothes - both physical and digital, this is interesting. Fashion companies from Nike to Farfetch² are already investing in Web3 strategies and this goes far beyond experimenting with the metaverse. Therefore, the question we want to ask is what opportunities and challenges could Web3 bring to the fashion world?

What is Web3?

As early as the 1990's professors had started to speak of concepts which are now forming the basis of Web3. Web3 goes way beyond the metaverse. The metaverse fits into this equation as one of the ways we experience and interact with the new web . In many ways the aspirations for Web3 are as strong as its underlying principles and technologies. In the words of Ryan Shea, co-founder of Blockstack, the "main aim is to use technology to make the online world a more decentralized place where people can do business "on their own terms"³. Harvard Business Review describes it as a "read/write/own version of the web, in which users have a financial stake in and more control over the web communities they belong to"⁴.

Defining features⁵ of Web3 are:

•Decentralisation – information will be stored in various locations, breaking down the massive databases help by technology giants

•Technologies such as Blockchain and AI – Web3 will be built on innovative technologies that enable high levels of security and human-like interactions from computing systems

•Ubiquitous access – Web3 can be accessed by a variety of applications, beyond just phones and computers, therefore enabling the internet of things

To a certain extent Web3 is already here. People are already exploring metaverses, and companies are building the infrastructure to expand it even further. The metaverse, which is perhaps the most spoken about part of Web3, is a set of virtual worlds enabled by the defining features and technologies of Web3. There is a range of possibilities for how this web evolution could take place and current disagreements as to the extent it will be revolutionary, but it is a certainty.

WEB3 AND CONSUMER BEHAVIOUR

Consumer affinity towards personalisation, convenience and data present opportunities for brands when engaging with Web3.



A key reason Web3 strategies need to be given serious consideration is because that is where consumers are going to be. According to a prediction by Gartner, "25% of people will spend at least one hour per day in the metaverse by 2026"⁶. Currently, luxury companies and big fashion houses are at the forefront of creating metaverse strategies and are gearing them towards Gen Z- the early adopters.

Given that "60% of these young [Gen Z] shoppers think that brands should sell their products on metaverse platforms"⁷, the focus on this generation makes sense. However, as Web3 develops, the demographics interacting with it will broaden. The potential for experiential shopping in the Metaverse will likely be a big draw for consumers across generational bands. The key takeaway here is the importance of starting with the consumer problem and opportunity to understand how to engage different demographics and consumer types as they move into Web3. For example, from a study performed in the UK, 45-54 year olds are the most likely to sell goods and services online, whilst 35-44 year olds are the most likely to go online to find goods and services⁸.

Further, the aftereffects in the change in shopping habits during the pandemic are still being felt. Shoppers were limited to online purchases. Resultingly, they have become more selective and savvier in their decision making; technology enabled free flow of product information and reviews. According to a study commissioned by the Influencer Orchestration Network, around half of people have relied on online influencer recommendations for buying products⁹. The decentralised and permissionless aspects of Web3 may act like a steroid injection to this trend. Information gathering is likely to continue being a key aspect of purchasing habits.

Web3 will change the way information flows, who owns it and where it is created. More people will be able to authentically engage in the creation of the web (as it will be permissionless) and the concentration of knowledge in intermediaries will decrease (decentralisation). As Bobby Allen, a technology reporter from NPR notes, "Enthusiasts hope Web3 will mean that sharing photos, communicating with friends and buying things online will no longer by synonymous with Big Tech companies but be done through a multitude of small competing services on the blockchain"¹⁰.

Therefore, it will be important for brands and fashion companies to both follow where their consumers go on Web3 and also create engaging strategies to keep consumers' attention as a whole new world is created. A decentralisation of transactions may create the need for a more diverse online selling strategy. In our current iteration of the web selling outlets are already beginning to widen. Fashion companies are already using social media platforms like Instagram to sell their goods. Web3 increases the opportunity for the trend of diversified online selling outlets to proliferate. Brands like Balenciaga¹¹, Lacoste¹² and Ralph Lauren¹³ are already engaging and selling on gaming platforms. However, there will be a range of use cases and consumer needs that Web3 will create and serve. Although no one can predict the future, a range of potential use cases are listed below:

- Brands create digital and physical twin items for people who want to dress like their avatar and vice versa. These items could be verified by tokens to demonstrate ownership and authenticity. Increased time spent in visual Web3 spaces may spark this need. Blockchain technologies can make this a reality.
- Consumers and brands create signature looks in Web3 that can be taken across plat forms; sold and transferred. Blockchain technology can help power this.
- Sustainability focused consumers could use digitalised versions of their wardrobes to track usage, increase utilisation of their clothes, sell clothes that they aren't wearing, share wardrobes with people in their community and manage which items they sell/ rent. An increase in visualisation technology and digital/ physical cloth twinning could help make this a reality.
- An increase in personal data ownership could change how consumers choose to interact with brands. Consumers could, for example, disclose certain information to brands on shopping habits in exchange for services like personalised styling recommendations
- Increased visualisation in the web could proliferate further into the shopping process.
 Consumers could have avatars that can be used on different sites to make the physical clothes buying process seamless. These avatars could try on clothes to show true fit.
 Visualisation technology and a more decentralised web could make this a reality.
- As the rental market expands, companies and brands are looking to ensure the provenance of items sold can be verified and authenticated. This can be satisfied by an increase in information about the provenance of clothes and Web3 enabling Information to flow across platforms can help ease the sign up process for new sellers/ buyers who are using multiple platforms.

WEB3 AND ENVIRONMENTALISM

Looking at how your technology strategy is affecting your sustainability agenda is crucial to lowering emissions whilst embracing the new frontier of change. Blockchain, Decentralisation and Personalisation provide opportunities for big wins, but look out for electricity consumption and a potential rise in e-waste.



The development of the internet has created billion-dollar markets and changed the shape of existing industries. However, Web2 has taught us that with the realisation of the business opportunities comes complexity around environmental impact. Web2 enabled a boom in a different model of shopping: e-commerce. Notable tech giants made fortunes off the back going direct to consumer online.

Launched as an online bookstore in 1994, Amazon has grown to be the biggest e-commerce company in the world and continues to lead the way in terms of industry operations. Convenience, speed, and personalisation have become the bedrock of customer satisfaction in the online space. These models of operation spread quickly to retail clothing, firstly online only stores such as Zappos appeared. Next pre-existing retailers started to capitalise on the opportunity - setting up operations online. Even luxury retailers came online with the assistance of platforms such as Net a Porter. Online business models have brought both environmental wins and losses - both planned and unintentional. This spectrum of positive and negative environmental impact ranges.

The efficiencies brought about by reducing car and land traffic have had a positive impact– Researchers at Oliver Wyman estimates that "offline shopping results in between 1.5 and 2.9 times more greenhouse gas emissions than online shopping"¹⁴. On the other hand, according to earth.org when consumers opt for same or next day delivery this stat reverses- with online shopping emitting more than offline¹⁵.

As the web undergoes its next transformation, it does so in a climate of increased environmental concerns. As Harvard Business Review notes: "Virtually all of the world's largest companies now issue a sustainability report and set goals; more than 2,000 companies have set a science-based carbon target; and about one-third of Europe's largest public companies have pledged to reach net zero by 2050"¹⁶. Fashion companies in particular have been scrutinised for sustainability practices.

As Mckinsey notes the future of fashion is sustainable brands and circular business models¹⁷. The question for companies exploring the next frontier of the internet should be "what impact will engaging in Web3 have on sustainability strategies?". For sustainability strategists and fashion leaders there is an opportunity now to start exploring how these technological changes will affect their environmental agendas. The emphasis on traceability, visualisation and decentralisation in the Web3 agenda provides opportunities for companies to lower their carbon footprint by engaging with new business models and technologies. For fashion organisations this opportunity is specific and unique.

As one of the most polluting industries in the world the need for sustainable sourcing and circularity has dominated dialogue for the past decade. The development, democratisation and increasing proliferation of technologies like blockchain, which are central to the development of Web3, offers a technological and secure approach to determining the provenance of raw materials. Blockchain is a system of recording transactions, one of its key benefits lies in the fact that it is designed to be a safe and secure peer to peer network – no middlemen and a high level of trustworthiness. As a result, it is currently the golden child of solutions to supply chain traceability issues. It has the potential to provide trustworthy and traceable databases that can be used to ensure sustainable sourcing.

Whilst blockchain has been, and continues to be, experimented with in fashion circles, complexities that can be ironed out by scale have limited its usage. IBM estimates that the use of blockchain in supply chains is still nascent with most organisations running pilots¹⁸. The increase in use of blockchain in Web3 will help its application across.

As an additional plus, Blockchain has the potential to support circular business models and increase the lifecycle of clothing. Whilst the clothing resale market is set to double between 2022 and 2026¹⁹, there are still real challenges faced by brands and consumers when making attempts to increase the lifecycle of clothes. For example, 3.3% of world goods are counterfeit according to the OECD consumers are right to be cautious²⁰ and businesses need to find ways to authenticate their goods so they can be used time and again. Forbes notes, "Blockchain can help fashion brands secure their digital identity" and therefore start to tackle the damage caused by the billion-dollar counterfeiting industry²¹. Ensuring items are authentic at the source has obvious benefits for brands but provides the same benefit for consumers downstream when items are rented and resold. As brands and fashion companies grapple with how to extend the lifecycle of a brand, technologies that can authenticate provenance will be helpful in securing consumer trust and participation in circular markets.

The potential for the utilisation of Web3 technologies to drive sustainable business models extends further than blockchain. A key component of how Web3 is being visualised today is metaverse worlds full of virtual experiences. This reaches far beyond virtual concerts to the potential for consumers to try on and personalise items before they are made which could lead to less waste. Further the rise in mixed physical and digital experiences, such as digital IDs for physical clothing can be a tool for the optimisation of physical wardrobes as well as allowing consumers to see their wardrobes in the digital world. This could all be enabled by the content and blockchain heavy nature of Web3.

For businesses, digital showrooms and shopfronts which can move across platforms in the web will provide more opportunity than we currently have to experience fashion without travelling. Even a small reduction in business travel has a large impact on overall CO2 emissions. According to Ordre "the average carbon footprint for a buyer is 12.1 tCO2e while the average footprint for a designer employee is 7.6 tCO2e"²². The business travel related to fashion weeks alone equates to heating 42,000 homes each year²³.

On the other hand, the natural resources Web3 will need to thrive have a lasting impact on our environmental footprint. Encryption, converting data into secret codes, is energy intensive and currently, the majority of energy generated globally is not from renewable sources²⁴. As fashion companies are looking at their scope 2 and 3 emissions one key question will be "how is our technology strategy affecting our sustainability agenda?". Web3 has already been scrutinised by environmentalists, primarily because of the energy intensity of cryptocurrency mining. Bitcoin, the worlds largest cryptocurrency is estimated as consuming as much energy as Argentina - a 45 million person nation²⁵. However, these concerns do not yet fully take into consideration the energy consumption that will be needed to power VR/AR and all of the tools and technologies that will make an image heavy and interactive industry such as fashion a reality.

One of the key tenants of Web3 is ubiquitous access i.e. the internet can be accessed anytime from anywhere. This will enable a whole host of intelligent gadgets, beyond mobile phones and laptops to access the web. However, the gadgets needed to enable Web3 experiences such as virtual headsets will need to be factored into sustainability strategies to ensure the workplace equipment of tomorrow does not lead to a rise in e-waste as well as intense energy consumption. The speed of technological advancement may eradicate these issues, however brands and fashion companies could benefit from having sustainable technologists in their teams to help choose technologies that are environmentally friendly.

WEB3, THE CREATOR ECONOMY & FASHION

The potential of the creator economy to dramatically shift the way we operate is one of the most discussed aspect of Web3.



The promise of Web3 is that creators will be able to take back some of the power that platforms currently hold. Namely, rather than platforms controlling the data, algorithms, monetisation models and the audience; in a decentralised web, the power will shift towards creators. Even the CEO of one of the biggest platforms in the world, Instagram, has spoken openly about the trend towards this power shift²⁶. For fashion and design this could lead to an increase in the amount of people who have a stake in the internet and build everything from digital clothes to digital artwork that can transcend platforms.

3D modelling and visualisation tools already aid the creative process for fashion houses, the 3D modelling market alone is growing by a CAGR of 15%²⁷. The cross road of these tools becoming more readily available and the next iteration of the web will likely lead to an exponential rise in digital fashion. The innovative practice of designers like Hanifa has shown the mass fashion market the power of visualisation and the potential for experimentation with fashion on the web. In a Web3 post platform world, smaller designers and part time creators may find it easier to amass large followings, sell their collections across the web and compete with larger brands.

The increase in power of creators and influencers would come from the fact that they are able to take their collections (and followers) across multiple platforms. The potential for collaboration and co-creation could be exponential. Fashions penchant for collaboration works well in a Web3 environment. Creators and digital designers with large followings could work with large fashion houses to co-create, market and sell to their followers. Fashion houses could tap into collective creativity by opening up branded digital tools and designs for creators and consumers to make their own custom designs. Rather than creating these tools in house, fashion companies can partner with existing tooling companies to produce branded content.

This would ensure tools are up to date with market trends. The consumer desire for unique shopping experiences could be met by Web3 creatives innovating around the shopfront – allowing people to buy in games, from videos, and any other touchpoint online. However, the risks surrounding collaboration remain - from brand dilution to managing a diverse portfolio of collaborators. These risks are already being felt by brands collaborating with content creators today. Web3 will bring the next iteration of the challenge, and opportunity, of the creator led economy for fashion brands.



Potential use cases for Web3



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ABOUT METAIL

Metail's mission is to use technology to accelerate positive change and sustainability in the apparel industry.

With over 10 years' experience and over 20 patents granted internationally, Metail is pushing the boundaries in the areas of 3D body modelling, virtual model imagery and more.

We are helping brands and manufacturers embed and harness their digital product creation and selling capabilities using compelling visualisation to communicate better. As a result, teams experience better collaboration, quicker decision making and less waste in taking their products to market.



www.metail.com

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