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# **When luxury brands infiltrate metaverse: What impact on the perception of owning luxury goods?**

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## **When luxury brands infiltrate metaverse: what impact on the perception of owning luxury goods?**

### **Abstract**

The ownership of luxury goods in the metaverse is challenging to grasp due to the absence of physical objects. To do so, this research draws upon the theories of incarnation (Lewis, 2000; Miller, 2005) and extended self (Belk, 2014), conducting an exploratory qualitative study. Seventeen interviews were conducted with metaverse users who are consumers, and six brand managers specialized in the subject. Thematic and lexical analysis were conducted using the Iramuteq. Furthermore, the results indicate that brands could adapt by leveraging immersive metaverse experiences to authentically connect and enhance perceptions of ownership around their luxury goods.

### **Keywords**

Metaverse, identity construction, fashion brands, embodiment, avatar, extended-self

## **Quand les marques de luxe infiltrent le metaverse : Quel impact sur la perception de possessions des biens de luxe ?**

### **Résumé**

La possession de biens de luxe, dans l'univers métavers est difficile appréhender compte tenu de l'absence d'objet physique. Pour ce faire, cette recherche s'appuie sur les théories de l'incarnation (Lewis, 2000 ; Miller 2005) et de l'extension de soi (Belk, 2014) et la conduite d'une étude qualitative exploratoire, Dix-sept entretiens auprès de consommateurs adeptes du metaverse et six managers de marques spécialistes du sujet ont été réalisés. Une analyse thématique et lexicale menée à partir d logiciel Iramuteq. Les résultats indiquent en outre que les marques pourraient s'adapter en tirant parti des expériences immersives du métavers pour établir une connexion authentique et améliorer les perceptions de propriété autour de leurs produits de luxe.

### **Mots clefs**

Metaverse, construction identitaire, marques de mode, incarnation, avatar, extension de soi.

## Introduction

The metaverse, with a market value of \$47.78 billion in 2020 and a significant Compound Annual Growth Rate (CAGR) trend, has become a focal point for around 30% of companies interested in investment, with 74% of users located in the United States.<sup>1</sup> Its rise, influenced by Generation Z, underscores the importance of diversity and addressing identity challenges within this digital space. Technological advances, particularly virtual reality (VR) and augmented reality (AR), are reshaping interpersonal interactions, enabling users to create avatars and engage in shared virtual experiences (Bailenson, 2018; Steuer, 1992). The metaverse, as a parallel world with its unique economy, society, and culture, has drawn scholarly attention to the perception of ownership, particularly related to luxury products (Castronova et al., 2005; Steinkuehler et al., 2006). In the metaverse, the concept of ownership is complex due to the absence of physical items. Users invest significant time, effort, and real currency in acquiring and customizing virtual assets, raising questions about how they perceive ownership in comparison to the physical world (Sivanathan & Pettit, 2020). The emergence of metaverse and of virtual avatars present an enticing avenue for consumer research and brand management, particularly in the context of ownership and possession, as it transforms the relationship between consumers and luxury brands (Dubois, Laurent & Czellar, 2001; Parguel & Benoit-Moreau, 2011; Phau & Prendergast, 2000).

To better understand this particular relationship, we mobilize the theoretical framework of the embodiment and extended self (Johnson, 2007; Belk, 1988). These theories are particularly relevant in the context of luxury goods, where ownership of high-end products is closely tied to social status and exclusivity. Additionally, the embodiment experience in the metaverse, where users feel a strong presence through avatars or digital representations, raises the main question of this paper: how do the extended self and embodiment experiences in the metaverse influence consumers' perceptions of ownership for luxury goods?

To address this issue, a dual qualitative study involving 17 consumers and 6 brand managers was conducted. The results were analyzed using the Iramuteq software. This article revolves around a synthesis of the literature on theories of incarnation and self-extension. The chosen methodology, as well as the results of the qualitative study, are then presented and discussed.

## Literature Review

Numerous authors have explored the intricate relationship between the user's physical body and their virtual self in virtual reality (VR) experiences. Studies by Biocca (1997), Fuchs and Schlimme (2009), Paillard (1999), Longo et al. (2009), Kiltner (2012), and Spatz (2017) highlight the feedback loop between the real and virtual bodies, the enhanced immersion and engagement facilitated by inhabiting virtual avatars, and the dynamic interplay between perception, action, and the human body within VR.

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<sup>1</sup> GlobalData. (2022, September 30). Metaverse Market Size, Share Trends and Analysis by Region, Vertical, Component Stack and Segment Forecast to 2030. Report Code: GDTMT-SC-MR002. Retrieved from <https://www.globaldata.com/store/report/metaverse-market-analysis/>

These findings support the theories of Wilson (2002), Varela et al. (2016), Gibson (1979), and Merleau-Ponty (2003), emphasizing the inseparable link between the body and the mind in shaping our experiences. Bluck & Alea (2011) demonstrate the profound influence of bodily experiences on cognitive processes, including language comprehension, spatial reasoning, and social interactions. More recently, Waterworth and Waterworth (2014) emphasized the profound sense of presence VR technologies can create, prompting further investigations into embodied cognition and incarnation within VR settings, particularly relevant for understanding consumer behavior towards luxury goods in the metaverse. The metaverse presents a unique landscape for luxury products, offering opportunities to amplify their exclusivity, craftsmanship, and prestige. For instance, luxury jewelry, characterized by its heritage and rarity, may evoke a stronger sense of possession and attachment compared to everyday items. While luxury fashion clothes emphasize “personal style and identity”, shaping the perception of ownership differently. This is especially true in virtual environments, where personalized inclusive experiences and storytelling can deepen consumers' emotional connections to luxury brands (Petvok,2023; Mckinsey, 2023). Transitioning to the metaverse, Campbell (2010) introduces the concept of "sacredness" in a broader sense, encompassing spiritual connections beyond conventional religious boundaries. Parggman and Svensson (2019) explore the metaverse as a platform for individuals to express their spirituality and connect with like-minded individuals. Spiegel (2021) highlights VR technology's ability to facilitate immersive spiritual experiences, such as visiting significant historical or religious sites or even simulating near-death experiences within the metaverse. While VR's impact on consumer behavior can vary (Ryu, 2019; Kim et al., 2019), research suggests it can enhance emotional connections with products and services (Kim & Ko, 2020). This is particularly relevant for luxury goods, where personalization plays a key role, fostering positive attitudes towards ownership within VR (Kim & Ko, 2020). Symbolic consumerism within the metaverse emerges as a crucial factor in self-expression and identity formation (Belk, 2013). Yang and Wang (2016) emphasize how customers are motivated to acquire virtual luxury items to construct symbolic meaning and shape their identities, aligning with David Wooten's (2006) perspective on symbolic consumption as a means of self-expression. Online metaverse groups, as described by Susan Dobscha (2021) and Eileen Fischer (2017), function as symbolic marketplaces attributing new values to products, particularly relevant for understanding the unique context of luxury goods in the metaverse.

While existing research have extensively explored embodiment and spirituality within the metaverse, there remains a significant theoretical void, none have specifically investigated the nuanced perception of possession and ownership within the unique context of the metaverse. Notably, there exists a theoretical gap regarding the theoretical lenses of incarnation and extended self when examining individuals' perceptions of ownership and possession in this evolving digital realm

## Research Methodology

This study employed an exploratory qualitative methodology to investigate the novel metaverse experiences in the realm of luxury products. It encompassed two distinct interview guides (see appendix 3 &4), one involving six managers and the other seventeen consumers. The interview guide for manager of luxury clothing brands addressed the following themes 1. the metaverse adoption experiences 2. potential benefits and challenges 3. the compatibility of metaverse with luxury brands 4. The impact of metaverse on the enhancement of the customer's metaverse experience. Introductory questions were asked for consumers regarding virtual products possessions (clothes, watches, etc.) followed by a virtual fashion show of the collection. The consumer interview guide revisited the following themes: 1. The metaverse experience 2. The impact of the metaverse on the perceived value of luxury products; 3. Risks associated with the use of the metaverse by luxury brands; 4. Consumer expectations and preferences regarding virtual engagement with luxury brands. The interview lasted on average of 45 minutes. They were recorded and fully transcribed. The corpus of interviews with managers represents 94 pages, while the one with consumers represents 143 pages for millennials and 185 pages for Gen Z. For our exploratory work on the research topic at hand, we relied on Iramuteq and R software to carry out lexical and thematic content analyses (Williams et al., 2018)

## Research Results

Following a comprehensive analysis of the results derived from two distinct studies, encompassing both managerial and consumer perspectives, it became evident that a subdivision of the consumer-oriented study, based on generational categorization into Millennials and Generation Z, was imperative due to the discernible variances in responses.

The first conducted study, an analysis of consumer interviews, revealed differences between Millennials and Generation Z perceptions as luxury customers within the metaverse. Millennials see the extended self in the metaverse as a means of enhanced self-expression but also express a desire for a more balanced environment between reality and Virtual Worlds to fully immerse themselves. They aim to preserve the timeless aspects of brand uniqueness, as (Dana, 27), a Millennial, remarked, *"It is important that we maintain a clear distinction, while not allowing the virtual world to interfere with our real-life experiences and connections."* This generation tends to approach innovation with caution, placing emphasis on ethics and concerns about the embodiment experience in diluting the tangible essence of luxury. Consistency and balance hold significant importance for Millennials, alongside reliance on established brand names as also discussed by Stillman & Stillman in 2017 & 2019. Privacy and security concerns Millennials to exhibit more caution when exchanging personal information for personalized experiences. They express worries about losing human connections in the face of increased digital engagement.

Generation Z's approach to the metaverse reflects a unique set of values and behaviors. They share a desire for engagement within a balanced virtual environment, yet they exhibit a heightened openness towards embracing new features and adapting to evolving dynamics within this digital space. They view the extended self as a tool for exploring diverse identities and self-expression within the metaverse and embodiment as a mean to deeply engage with luxury products virtually. This generation's mindset differs notably from that of Millennials. Generation Z places a strong emphasis on values such as inclusion, cooperation, and digital exclusivity. They tend to rely more on community-based recommendations and influencers rather than traditional advice, indicating a preference for peer-driven guidance in their decisions. Moreover, Generation Z demonstrates a more fluid approach to ownership and experiences within the metaverse. They prioritize the accumulation of diverse virtual experiences for technological advancements and innovation, viewing them as essential for evolving ownership perceptions within the metaverse. This generation's curiosity and active engagement are evident in their enthusiastic embrace of the metaverse as a realm for interactive and immersive experiences. Virtual avatars serve as a means for them to explore various identities, as (Yasmina, 19) expressed, highlighting that the virtual space allows her to express herself more freely compared to real-life situations where shyness and limited social outings prevail. In addition to their distinctive approach to engagement and ownership, Generation Z shows a strong inclination towards social responsibility within the metaverse. While both Millennials and Generation Z acknowledge ethical and social concerns, the younger generation takes a more proactive stance. They champion values of inclusivity, diversity, and sustainability, actively striving to create and maintain a metaverse environment that is welcoming, diverse, and environmentally conscious by accessing more realistic avatars. Twenge and Turkle's discussions in 2017 and 2011, respectively, shed light on these behavioral tendencies observed among Generation Z, further emphasizing their distinctive approach to and impact on the metaverse ecosystem.

The findings from the second study, which involved the analysis of interviews with managers, indicated a divergence of opinions regarding the significance of the metaverse as a strategic opportunity. Certain managers emphasized the paramount importance of this digital landscape, while others underscored the necessity of strategic planning and adaptation to navigate the distinctive dynamics inherent in this environment effectively providing the first themes, the metaverse adoption experiences. *"During Covid-19, we had to survive... metaverse would have been the answer to all these struggles we had the past few years with a virtual showroom and immersive shopping experience at its best!"* (Jean, 54, Owner of Jean Fares Haute Couture). Recognizing the metaverse as a space for self-extension, brand managers understand its role in enabling customers to shape distinctive virtual personas. They see embodiment experiences as pivotal, engaging customers deeply with luxury products in immersive metaverse encounters. This nuanced understanding of digital ownership perceptions fuels the creation of innovative branding strategies tailored to this evolving landscape, fostering stronger connections between customers and luxury goods within the digital realm. A number of important areas have been identified by managers as regards challenges arising from metaverse experiences as a second theme. The main challenges that must be addressed in order to make successful metaverse deployment possible were mentioned by the authors as technology complexities, protecting data and security, creating an Immersive and Engaging Experience or reducing the Digital Divide that expand the research of Riva & al. in 2019. In addition, the evolution of consumers' perception in the metaverse was recognized by managers as they conceded that consumer's desire for authenticity and interactivity was growing as they sought out

immersive, personalized experiences arising the third theme of compatibility of metaverse with luxury brands. (Ondrejka, 2005) However, the need to balance expectations of consumers with ethics considerations and ensure a level playing field in online interaction has also been noted by managers. The metaverse future had been a topic of great interest to managers. They expected that different industries could benefit from growth and impacts of the metaverse. Managers believed that this metaverse could radically change the way we entertain, learn, shop, interact with each other and develop new business opportunities and transform traditional models as it has been discussed by Bailenson (2018) and (Charles, 47, shareholder at Gemy Maalouf Ajjan & CO. *“we’re hoping to overcome video calls problems losing depth and realistic interaction, metaverse based platforms have emerged as an innovative solution”*). The potential of the metaverse has been acknowledged by managers, but there remains a need for continuing research in order to address existing limitations and optimize its capacity showing our forth theme *“the impact of metaverse on the enhancement of the customer’s metaverse experience”*. (Atasoy & Morewedge, 2018). In order to develop the future metaverse in a responsible and equitable way, they emphasize the importance of working with industry stakeholders, policy makers and technology experts. (Boellstorff, 2013; Liao & Humphreys, 2015)

### **Discussion, Research Implications and limits**

This study explores the application of extended self-theory within the metaverse, examining how it influences customer perceptions of ownership and possession of virtual luxury goods and builds upon the continuation of the work of (Belk, 1988). It delves into existing ownership and possession theories, providing insights into these concepts' applicability in a virtual environment. Ownership and possession are central themes in understanding consumer behavior within the metaverse. Millennials express caution about digital experiences potentially diluting the tangible essence of luxury, emphasizing the need to preserve brand uniqueness and ethical considerations. Conversely, Generation Z exhibits a more fluid approach to ownership, prioritizing diverse virtual experiences and technological advancements. Examining these nuanced perspectives helps us understand the evolving dynamics of ownership perception and its impact on luxury consumption in the metaverse. The metaverse is a burgeoning market enticing managers to reach new demographics and expand their consumer base, potentially boosting business revenues. It also serves as an innovation hub, allowing experimentation with new models and immersive strategies that can drive increased revenue streams (Ball, 2022) as for the example of the Sandbox selling for substantial amounts, surpassing the value of equivalent physical land in some locations. Therefore, this research leads to the development of a comprehensive theoretical framework that encompasses embodiedness, the extended self, and consumer perceptions of ownership and possession in the metaverse. By focusing on luxury consumption, the framework serves as a foundation for investigating the psychological and behavioral aspects of virtual consumption, shedding light on how embodiment can be conceptualized and understood in a virtual setting. The study investigates the cognitive and emotional processes involved in creating a sense of ownership and possession in the metaverse. It also explores the connection between consumers' extended selves and virtual luxury goods, shaping their identity and self-concept. Interviews provide a deeper understanding of consumer perceptions of ownership and the factors influencing this sense in the metaverse. Additionally, insights from interviews with managers offer a unique perspective on consumers engaging with virtual luxury goods. The analyses of interviews with consumers and managers provide distinct insights into luxury consumption in the metaverse. Consumers, particularly Millennials, prioritize achieving a balance between virtual and real-world experiences, whereas managers are more focused on the strategic



implications and challenges of integrating the metaverse into the luxury industry. Comparing these perspectives offers valuable insights into the varying attitudes towards ownership and engagement with luxury products in virtual environments. Additionally, the analysis identifies several main elements, including generational differences in luxury consumption behaviors, managerial perspectives on metaverse challenges and opportunities, and the evolving notions of ownership and possession within virtual environments. By modeling these key elements, readers can effectively navigate through the complexity of information, gaining a clearer understanding of the implications for luxury brands operating in the metaverse. The research makes methodological contributions by considering diverse communities' perceptions and generational differences within the metaverse. This approach uncovers varying perceptions among different groups in the metaverse, shedding light on these differences. The study also addresses the ethical considerations involved in conducting research in the metaverse, highlighting the importance of safeguarding participant privacy, informed consent, and authenticity within virtual communities. From a managerial perspective, this study has several implications for luxury brands and managers. Firstly, it suggests that luxury brands can create tailored virtual experiences that align with consumers' desires for self-expression and identity projection. Personalized messaging, storytelling and immersive experiences can enhance consumer engagement and loyalty. Secondly, the study delves deeply into the nuanced implications of the extended-self theory, elucidating its critical role in shaping consumer behavior within the metaverse. By closely examining the relationship between product features, embodiment, and the extended self, this research unveils invaluable insights. It identifies specific attributes and characteristics in virtual luxury goods that resonate with consumers' perceptions of their extended selves. These findings allow luxury brands to meticulously tailor their virtual product offerings to precisely match consumers' yearnings for personalization, uniqueness, and individuality. This alignment with consumers' self-perceptions not only fosters a heightened sense of satisfaction but also cultivates unwavering loyalty towards brands. This revelation aligns seamlessly with the extensive findings from Smith & al.'s comprehensive research conducted in 2020, underscoring the pivotal role of the extended-self theory in driving consumer preferences and brand affinity within the digital landscape of the metaverse. Additionally, the importance of personalizing customer experiences is emphasized, with the use of consumer data and insights to offer personalized recommendations and interactions. Lastly, the study highlights the emotional attachment and perceived value of virtual luxury goods. Managers can consider strategies for managing and monetizing online assets, such as limited editions or exclusively virtual products, generating new sources of revenue and opportunities. Despite its contributions, the research has limitations. The small sample size may limit the generalizability of findings. Future research could benefit from more diverse samples representing managers and consumers from various contexts and cultures. Furthermore, the study focuses on specific contexts and platforms within the metaverse; future research should explore the impact of contextual factors on embodiment and consumer perceptions. Longitudinal studies could provide insights into stability and changes in consumer perceptions over time. Combining quantitative and qualitative methods may offer a more comprehensive understanding of the subject. Cross-generational comparisons can deepen the understanding of differences and similarities between millennials and Gen Z consumers in the metaverse. Lastly, ethical aspects related to virtual consumption, including privacy, safety, virtual identity, and psychological effects, require further exploration.

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***Appendix 1. Structure of the sample of managers.***

Names	Position	Interview	Years of experience
Gemy	Owner “Gemy Maalouf Ajjan &Co”	Face to face	26 years
Charles	Shareholder “Naja Saade”	Face to face	12 years
Charles	Partner “Said Kobeisy”	Online call	3 years
Olivier	Chief of product management	Phone call	18 y. – 2 y. Crypto
Camille	Doctoral student	Online call	
Jean	Owner “Jean Fares”	Online call	13 years

***Appendix 2. Structure of the sample of consumers.***

Names	Position	Age (M 1981-1996) Gen Z (1997-2012)	Brand purchased	Amount of purchase per item
Dana	Banker	27	Celine, Dior (Bags)	3
Vivek	Company data analyst	43	Rolex, etc. (Watches)	Above 10
Elie	ICPO	42	GA, YSL, LV (clothes)	8
Sarah	Employee in a company	24	Gucci (clothes)	2
Yasmina	Student	19	Gucci, LV (clothes-bags)	4
Tony	Employee in a company	22	GA (clothes)	3
Joey	Employee in a company	33	Armani, Balmain (clothes)	5
Violetta	Banker	29	D&G, Celine, Prada (clothes-bags)	6
Julie	Student	20	Burberry (clothes)	2
Jane	Chef de cuisine	35	LV, Hermes (clothes-mainly bags)	7
Joseph	Student	23	Hugo (clothes)	1
Marcelle	Freelance Graphic designer	34	Chanel, Balenciaga, YSL (bags-clothes-accessories)	9
Jean	Banker	40	CK, YSL, Hugo, Prada (mainly clothes)	Above 10
Gabriel	Own a business	35	GA, Hugo (clothes)	5

Chloe	Student	23	Celine (accessories)	2
Anthony	Student	20	GA (clothes)	1
Roy	Part time employee	23	Balenciaga, Burberry (clothes)	4

*Appendix 3. Interview guide for managers*

Themes	Questions
Benefits of using the metaverse for luxury brands	<ul style="list-style-type: none"> <li>• What is your understanding of the metaverse?</li> <li>• How do you see it fitting into the luxury brand industry?</li> <li>• What do you think are the biggest benefits of using the metaverse for luxury brands? And for your brand?</li> <li>• How do you see it impacting the way customers interact with your brand?</li> <li>• Considering the exclusivity and prestige often associated with luxury brands, how do you intend to maintain and elevate these aspects within virtual environments to ensure a seamless transition for your clientele?</li> <li>• How do you foresee leveraging the immersive nature of the metaverse to create unique and personalized experiences for luxury consumers, and what innovative strategies do you plan to implement in this regard?</li> <li>• Given the dynamic nature of consumer preferences and technological advancements, how do you plan to adapt your brand's metaverse strategy over time to stay relevant and capitalize on emerging opportunities in the luxury market?</li> </ul>
Aligning metaverse experiences with brand values	<ul style="list-style-type: none"> <li>• What concerns do you have about how the metaverse might affect the value of luxury products, and how do you plan to address them?</li> <li>• How do you think the metaverse could challenge your brand's image and heritage, and what are your plans to maintain them?</li> <li>• What steps will you take to protect consumers' privacy and data in the metaverse?</li> <li>• How do you plan to keep up with metaverse trends while staying true to your brand's identity?</li> <li>• What ethical issues do you anticipate with the metaverse, and how will you ensure compliance while still offering great virtual experiences?</li> </ul>

*Appendix 4. Interview guide for consumers*

Themes	Questions
<b>Metaverse Experience</b>	<p>I will show you some images or videos of brands using metaverse in fashion luxury brands.</p> <ul style="list-style-type: none"> <li>• What are your thoughts on the concept of the metaverse? Do you see it as a potential platform for owning and experiencing luxury products virtually?</li> <li>• How frequently do you engage in luxury product shopping, and which luxury brands do you typically gravitate towards? How does the idea of owning luxury items in a virtual environment resonate with you?</li> <li>• Have you ever considered purchasing luxury products online? If so, could you share your experience with us, particularly regarding the sense of ownership and possession?</li> <li>• Would you be intrigued by the idea of interacting with your preferred luxury brand in a virtual setting, such as the metaverse? Can you elaborate on why or why not, especially in terms of your perceived ownership of the brand's products?</li> <li>• From your perspective, which elements of the luxury shopping experience do you believe could be successfully replicated within the metaverse? How would this influence your sense of ownership and possession of luxury items?</li> <li>• When it comes to luxury products, how significant is personalization and customization to you? How do you envision these aspects translating into the virtual realm of the metaverse, and would they affect your perception of ownership?</li> </ul>
<b>Perceived value, Perceived self &amp; Risks</b>	<ul style="list-style-type: none"> <li>• Do you think that incorporating metaverse technology enhances the perceived value of luxury products or services? Why or why not?</li> <li>• Are there any risks or concerns that come to mind when thinking about the use of metaverse technology in luxury clothing brands? If so, what are they?</li> <li>• In your opinion, how can luxury brands ensure that the use of metaverse technology aligns with their brand identity and values? Are there any risks of diluting the brand by incorporating new technology?</li> <li>• Could you share an instance when you, as a consumer within the luxury industry, encountered a successful metaverse campaign or initiative?</li> <li>• What elements or aspects of this experience do you think contributed to its success?</li> <li>• How do you imagine shopping for luxury products in a virtual world would differ from shopping in the physical world?</li> <li>• How might this altered environment influence your perception of the products and the overall image of the luxury brand?</li> <li>• What aspects of your virtual-self do you feel represent your true identity or differ from your real-world self?</li> <li>• Have you formed emotional connections or relationships with others in the metaverse? How do these connections contribute to your sense of self or identity?</li> <li>• Have you had experiences in the metaverse that affected how you interact with products, brands, or experiences?</li> </ul>