

Serving the digital guest

The rise of XR and the Metaverse in hospitality

Today's hospitality customers want exciting, innovative, and engaging experiences, which emerging technologies can enable. KPMG innovation leaders explore how to differentiate your immersive offerings for digital guests.

The hospitality industry is all about delighting the customer. Delivering remarkable experiences and customized offerings that align with guests' preferences are impactful ways to distinguish your business from other providers. So, whether a customer is walking into a hotel lobby, a concert venue, or a sports arena, hospitality brands must take great care to deliver memorable moments.

However, the industry is at an inflection point. Customers still enjoy traditional experiences at hotels, casinos, theme parks, restaurants, and the like. But emerging technologies are feeding their appetites for more novel, interactive experiences.

Next-level technologies, like Extended Reality (XR) and the Metaverse, are helping brands differentiate themselves and deliver the experiences consumers seek.

Recent research reveals that:

- **More than one-third of U.S. travelers are keen to embark on a multi-day virtual-reality or augmented-reality travel experience.**¹
- **Around half of Gen Z and millennials in the U.S. have used at least one metaverse platform in recent months.**²
- **Hospitality brands should pay particular attention to Gen Z, which is estimated to wield as much as US\$143 billion in spending power.**³

Immersive technologies explained

Consumers access immersive experiences via their mobile phones, tablets, VR headsets, or yet-to-be-invented devices.

- **Extended Reality (XR) encompasses both virtual and augmented reality.**
- **The Metaverse, which is considered an application of XR, comprises immersive, 3D, and virtual worlds, as well as avatars and digital assets.**
- **Web3 is an emerging blockchain-based infrastructure for the Internet, which enables decentralized digital ownership.**

According to the *KPMG 2022 CEO Outlook* survey,⁴ close to 75 percent of CEO respondents believe they need to quickly shift investments to digital opportunities and divest offerings that face digital obsolescence. Meanwhile, our *Metaverse Investor Perspectives* survey reveals that investors see benefit in early metaverse investments.⁵ More than one-third fear they may have already missed windfall opportunities, while three-quarters say they plan to increase or maintain their metaverse investments over the next five years.⁶

¹ Skift and Oracle Hospitality, "Hospitality in 2025: Automated, Intelligent...and more Personal," 2023.

² KPMG survey of 10,000 US-based individuals ages 13+, March 2023.

³ Barkley, Inc. and Millennialmarketing.com, "The Power of Gen Z Influence, How the Pivotal Generation is Affecting Market Spend," 2018.

⁴ KPMG 2022 CEO Outlook.

⁵ KPMG Metaverse Investor Perspectives Survey.

⁶ KPMG Metaverse Investor Perspectives Survey.

Consider the spectrum of immersive-technology applications

Experimentation is essential for building understanding and capabilities to enable immersive experiences. There are plenty of options to explore:

- The Metaverse allows brands to elevate customer experiences with storytelling platforms and interactive environments.
- Extended reality enhances live entertainment and leisure experiences and brings together communities of like-minded fans or tourists.
- Web3 can be the basis of new loyalty rewards, such as digital collectables (including non-fungible tokens) and preferential access to in-demand amenities, using token gating.

Future metaverse experiences are unlikely to replace in-person experiences. But they may dramatically extend and deepen brand relationships and loyalty. Virtual worlds create opportunities for dynamic customer interactions, as well as new data streams that can inform efforts around customer acquisition, loyalty, and retention.

Are you ready for the metaverse?

Uncertainty around headwinds may give brand leaders some pause about investing now.

Before you push ahead, examine where the Metaverse fits into your company strategy and growth goals and how those goals can be accelerated by emerging technology solutions. Determine whether you are more focused on increasing customer acquisition through new channels or more internally focused on efficiency and productivity gains. Rather than implementing technology for technology's sake, refine your objectives before choosing technology solutions that can bring them to life.

Consider the risks as well as the opportunities around investing in immersive technologies. For example, can your cybersecurity and privacy policies support digitalization of your offerings? Despite overall optimism, a recent InnoLead report, sponsored by KPMG, concluded that security, regulatory, and compliance issues rank near the top of the list of challenges that organizations expect to face when building or deploying Web3 technologies.⁷

Leisure companies that get a strategic head start into the Metaverse, XR, and other immersive technologies could realize a financial advantage. Staying one step ahead of hospitality consumers' needs and preferences can go a long way toward solidifying those customer relationships.

The art of the possible

Imagine a tennis enthusiast attains the highest loyalty tier at a hotel chain. Before an upcoming professional tennis tournament, the customer receives an invitation to an exclusive party in the hotel brand's metaverse VIP lounge. The memorable XR experiences include:

- Participating in exclusive metaverse events, including interacting with the world's top players, who mingle with guests and give out digital autographs.
- Networking with fans worldwide while watching matches in real-time.
- Virtually visiting one of the hotel's lavish properties to purchase exclusive digital collectables as souvenirs, leading to a planned future stay at the physical property.

Throughout customer journeys such as this, XR experiences can create deep immersion in events, while allowing the hotel brand to create high-value touchpoints leading to real revenue.

Prepare for tomorrow's tomorrow

The following three sets of questions can help you evaluate your readiness to embrace emerging XR and metaverse solutions and prepare for a distinctly different future:

#1: Envision opportunities for your brand/organization

- Given brand perceptions and customer expectations, how will you experiment with XR and the Metaverse?
- How do your physical presence and products/services drive customers to your immersive environments and vice versa?

#2: Evaluate your readiness to experiment with and pilot XR and metaverse initiatives

- What metrics will you use to measure success?
- What governance and risk controls are in place to protect consumers and your brand integrity?

#3: Establish your vision and align resources

- What strategic commitments has your organization made that could be accelerated—or deprioritized—by XR or metaverse solutions?
- To what degree have you assessed your internal talent needs and identified business partners with relevant capabilities?

Now is the time for hospitality companies to begin thinking about their Metaverse strategies and roadmaps. Generative AI-based technologies are poised to further enhance immersive experiences, signalling that we are just at the beginning of a long-tailed—and exhilarating—period of disruption.

⁷ InnoLead, "Shaping your Strategy for Web3 and the Metaverse," sponsored by KPMG.

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