

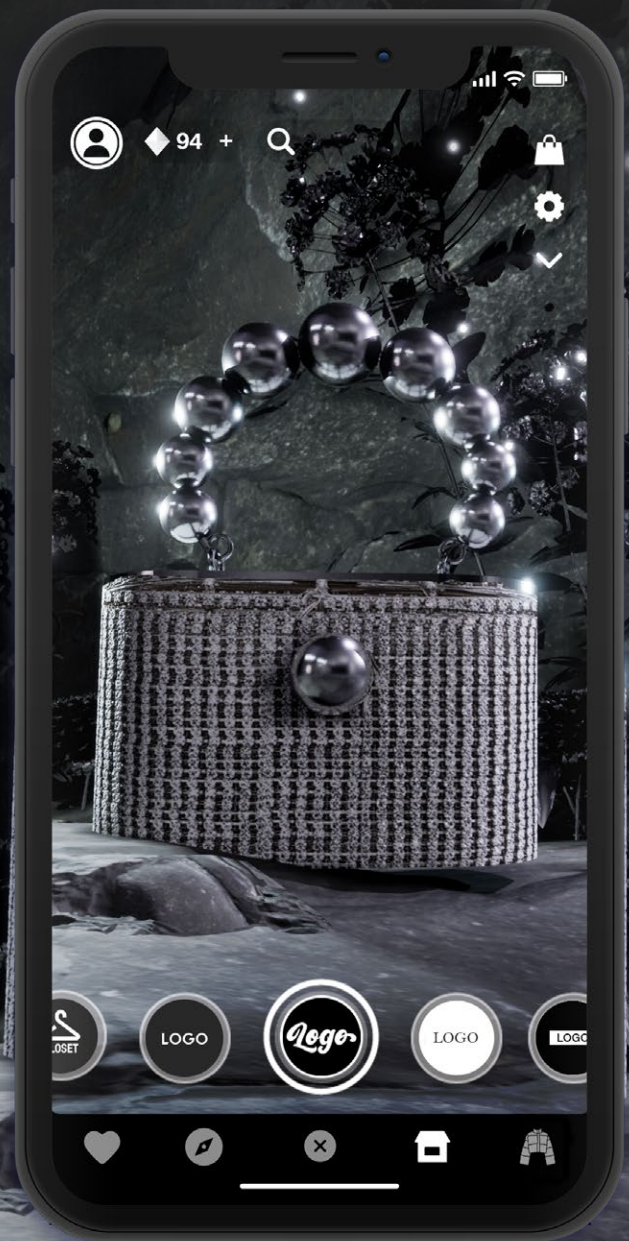
WHITE PAPER\_001

January 2022

# LODE

NEXT-GEN IMMERSIVE  
MARKETPLACE

<https://www.shoplode.io/>



Hi! We're **LODE**.

We believe the future of e-commerce is more **creative, interactive, immersive, and social**. That's why we're building an AR shopping app with virtual gamified boutiques that aims to be the most entertaining marketplace to date.

## Motivation and Vision

Online shopping is losing out to digital entertainment. The **next generation of consumers** (ages 18-25) are **experience-driven, highly visual and digitally native**. They overwhelmingly value experiences over products, spend more time in the virtual world than the physical and mostly engage with video games or interactive social media.

**E-commerce** meanwhile, with its boring 2D grid interface and endless scrolling, struggles to keep up, with **conversion rates as low as 2.6%** and **2 minute session times**. We believe that by flipping the script, and being creative, interactive, and gamified ourselves, we can make e-commerce more competitive with these other forms of digital entertainment. With the progress made in game development, Web 3 and Facebook's recent Meta announcement, it becomes increasingly clear that **entering the metaverse will become a necessity for all brands** if they want to sell products to this new generation of hyperdigital consumers. And although many fashion brands have experimented with gaming crossovers or metaverse appearances in the last year – which resulted in high engagement from younger consumers – most of these experiences were singular events, happening on a multitude of different platforms, and often more a marketing strategy than a **sustainable action plan for transitioning their 2D e-commerce to an interactive 3D one**.

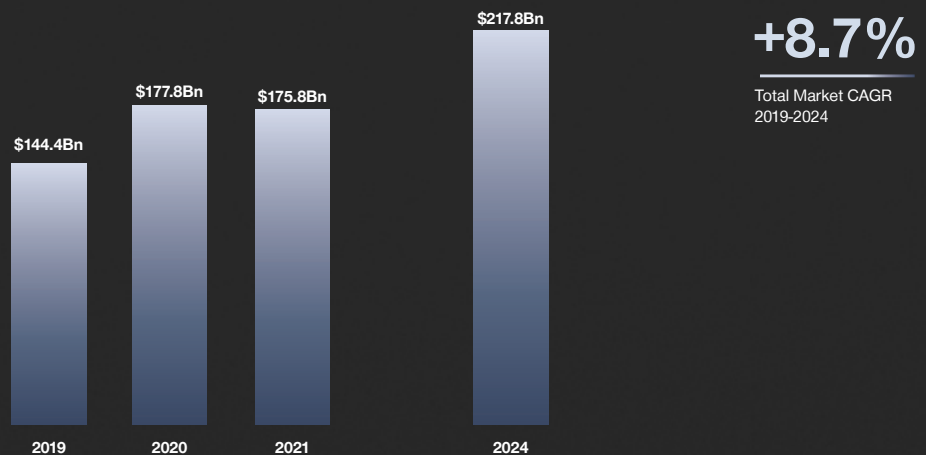
**LODE** is a gateway for brands and fashion enthusiasts into the metaverse. We bridge fashion and gaming into unique virtual shopping experiences that evolve through time and seasons. **LODE** is inspired by the best of gaming and fashion, both of which gain success from **fostering creativity, building social connections, and forging a lifestyle through immersion and interactivity**. We believe that virtual self-expression, both for brands and consumers, will play a huge part in forming bespoke, engaging digital experiences. We want to create a space for brands and fashion enthusiasts to cultivate their virtual identities.

These are the values we bring while creating **LODE**, a **marketplace of immersive shopping experiences** aimed at recapturing Next-Gen Hyperdigital consumers and inspiring them with the fantasy of fashion.

## Industry Insights

### Gaming, AR and 3D Content

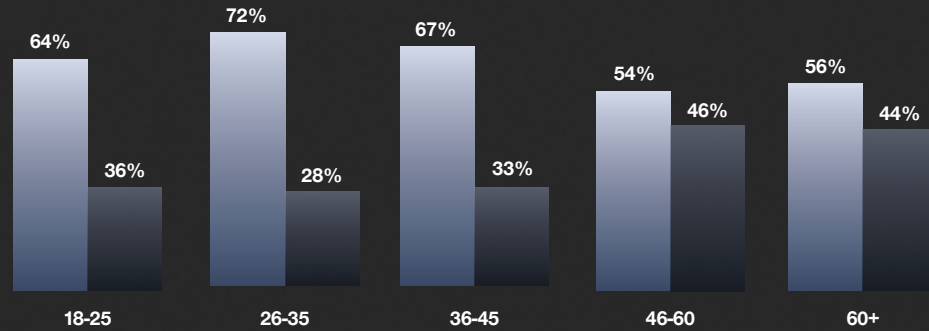
Gaming has gone from nerdy to normal in the past years with **71% of Gen Z and young Millennials considering themselves gamers**, according to a 2019 YPulse report. Gaming has challenged other forms of digital entertainment like movie and music streaming and surpassed their combined revenues by multiple billions of dollars. In fact, 2.7 Billion gamers have spent close to **\$160 Billion on Games in 2020** and the **market is expected to surpass \$200 Billion by 2023** (1). Gaming is the preferred mode of entertainment across all age groups and we can only expect those numbers to go up as hardware and software advancements push towards more realistic and immersive environments that are able to engage even more users.



#### Global Games Market Forecast

Source : Newzoo | Global Games Market Report | June 2021

48% of the global gaming revenue comes from **mobile gaming**, with mobile gaming revenues at \$77 Billion dollars in 2020. Mobile gaming grows faster than PC or console gaming because it has the lowest barrier of entry, easiest development process and is generally more mainstream (while most people own a phone, not everyone owns a decked-out PC with the latest GPU) . Plus, with smartphone companies putting more and more efforts into developing the best mobile cameras, **AR (Augmented Reality)** is becoming increasingly popular with **2.4 Billion predicted mobile AR users worldwide in 2023**. AR has the power to seamlessly integrate itself into our daily lives by allowing users and their space to also be part of the experience or game.



## Gaming is the Preferred Entertainment Format Globally Across All Ages

Source : Bof Insights via Limelight Networks, Newzoo, Statista, Motion Picture Association

### Gaming isn't just about playing games

Gaming having lost its exclusivity and becoming increasingly popular, it isn't just about playing games anymore, it's about hanging out with friends, customization and having a stunning visceral experience. This leads to 85% of games being developed now using a freemium model (2) – a free-to-play model in which instead of paying for a game upfront, players are incentivized to perform micro-transactions on virtual in-game items and goods. Users aren't paying for the game itself, but for virtual goods in the game that serve cosmetic purposes.

A good example of this is **Fortnite**, where aspects of the game like customizing your avatar and hanging out with friends at a live concert/event drive users to play as much as the game itself. These low barriers-to-entry and in-game purchases have made Fortnite so successful that **Epic games** reported they made **50 million from a single set of skins**.

### Digital Clothing, Skins and Virtual fashion

**Virtual goods** are already a **USD\$50 billion-plus annual market** (3), and, of this content, one of the largest parts of all in-game purchases is cosmetic skins and wearables. Besides in-game skins, virtual fashion can take the form of an **AR filter** used for social media or video conference-calling. Virtual clothing opens up the creative process for users as well as designers, since materials and form can go beyond what is physically possible. 1/10 people purchase clothing purely for the sake of wearing it on social media and so virtual fashion offers a more creative way to create more content with less waste.

The desire to own skins and other valuable digital cosmetic content has led to a new market segment for **NFT wearables**, which enables players to have a verifiable ownership of virtual assets and trade them on various marketplaces. This trend combined with the greater access



to cloud native workflows and cloud gaming also means an increase in popularity of metaverse type worlds because users want to own their digital fashion in multiple 3D environments.



## Metaverse

Since the announcement that Facebook would now be known as Meta, interest in digital universes like **Decentraland** and **Sandbox Game** skyrocketed. Users entering these virtual worlds can trade art, skins and even homes as **NFTs (Non-Fungible Tokens)**, which are blockchain-based collectibles. The global market for **goods and services in the metaverse will soon be worth \$1 trillion**, according to the digital currency investor Grayscale(4). More specifically, **Metaverse gaming and NFTs could make up 10 per cent of the luxury goods addressable market by 2030**, offering €50 billion in revenue which means a 25 per cent increase in profit for the whole industry (5).

The volume of transactions for commercial real estate in the metaverse has drastically gone up in the past few months, with metaverse-specific real estate groups buying out large parcels of lands with the plan of developing them into virtual commerce hubs for luxury fashion

some luxury brands have experimented with NFTs, whether they are ready or have a strategy to fully enter the metaverse and seamlessly represent themselves across multiple digital universes is another question.

## How fashion brands can approach gaming and the metaverse

To summarize, the increased engagement of younger consumers with virtual environments, gaming and interactive social media and the decreasing engagement of users with traditional e-commerce websites are making it increasingly clear that brands need a strategy to approach digital universes like gaming and the metaverse.

Younger consumers, who will make up **50-60% of the fashion market by 2025**, understand the importance of virtual self-expression for engaging in digital experiences and fashion brands need to be able to not only seem relevant to these next-gen consumers but also to create a **3D interactive e-commerce experience** that feels intuitive to them.

**So far, brands have approached these 3D experiences in three ways :**

### **Designing virtual clothing items or in-game skins**

For **luxury brands**, **video games can be gateways to new customers**. Fans of a brand, particularly younger ones, might be more willing to spend \$3 on a Louis Vuitton in-game accessory than \$3,000 on a real-life bag. Younger consumers are no longer purchasing branded perfumes or lipsticks but are interested in purchasing a luxury in-game skin for their avatar. Other than skins, brands have experimented with virtual clothing that can be purchased as an NFT and worn through an AR filter for social media. These often less expensive virtual options make luxury fashion more accessible to younger consumers. We believe **digital clothing** is the next barrier of entry for younger consumers for luxury brands.

The problem is that , whatever skin or virtual garment the consumer owns only exists in one game or another, without the ability to be worn across multiple platforms, or even worn on themselves. Virtual garments existing as video game skins purely exist in the single video game they were created for, and vice versa, the one that can be accessed through an AR filter is not wearable on an avatar. These items can never be styled together and solely exist in their original platform of creation.

### **Developing their own games**

A more expensive and time consuming option, and perhaps the least popular one, is for brands to create their own video game or metaverse. For example, **Balenciaga** partnered last year with **Unreal Engine** to create **After World : The Age of Tomorrow**.



After World : The Age of Tomorrow  
Balenciaga | Unreal Engine | 2020

While the experience itself was entertaining and visually stunning, it cost upwards of 1 million to produce and mostly appealed to already existing customers of the brand. The game was playable for a few days and can no longer be accessed, and only viewed through video. Brands don't have the hosting and development resources of video game developers to constantly update and improve on the game. The wonderful virtual world and 3D assets designed and developed for the experience are now left unused. Imagine if instead, the After World world could be rendered with new textures and updated for the next Balenciaga collection, **digitally evolving** with the brand's image and new collections.

### Having a 3D virtual store experience

Brands have experimented with virtual stores for many years now. From 360 degree image renderings of virtual boutiques to fully 3D VR environments, brands have already been experimenting with the idea of a **digital flagship store** in many ways. These virtual boutiques make online shopping a more immersive and fun experience as these stores are usually designed in an interactive way that is not constrained by reality or physical limitations.

Unfortunately, these experiences still mostly exist as “flat” 3D experiences embedded in a regular 2D e-commerce website. There is still a huge disconnect between the experience and the actual purchase as users are often taken back to a traditional 2D UI interface when they want to interact or purchase a product. Also the fact that these experiences are often a one-off and exist on the brands e-commerce website makes it really hard for a user that would want to access a multitude of these experiences at the same time.

Now imagine if there was a place where all these interactive 3D shopping experiences co-existed. A space where digital-savvy fashion enthusiasts and brands could interact in a singular virtual environment, and experiment with fashion while cultivating their virtual identities. **Imagine a more interactive, social and gamified way to shop online.**

Introducing **LODE**.





# LODE

We position ourselves as a **gateway for fashion brands and fashion enthusiasts into the metaverse**. By being inspired by the best of gaming, fashion and immersive environments, we aim to make the whole e-commerce experience more **interactive, social and gamified** to reinspire the next generation of consumers with the fantasy of fashion.

We propose a 2 layer approach into revolutionizing the future of e-commerce by transforming it into the **ultimate entertaining digital shopping experience** for both brands and consumers.

## Layer 01\_LODE AR App

The LODE App is comprised of 2 main features :

### AR Try-On Experience



### 3D boutique experiences

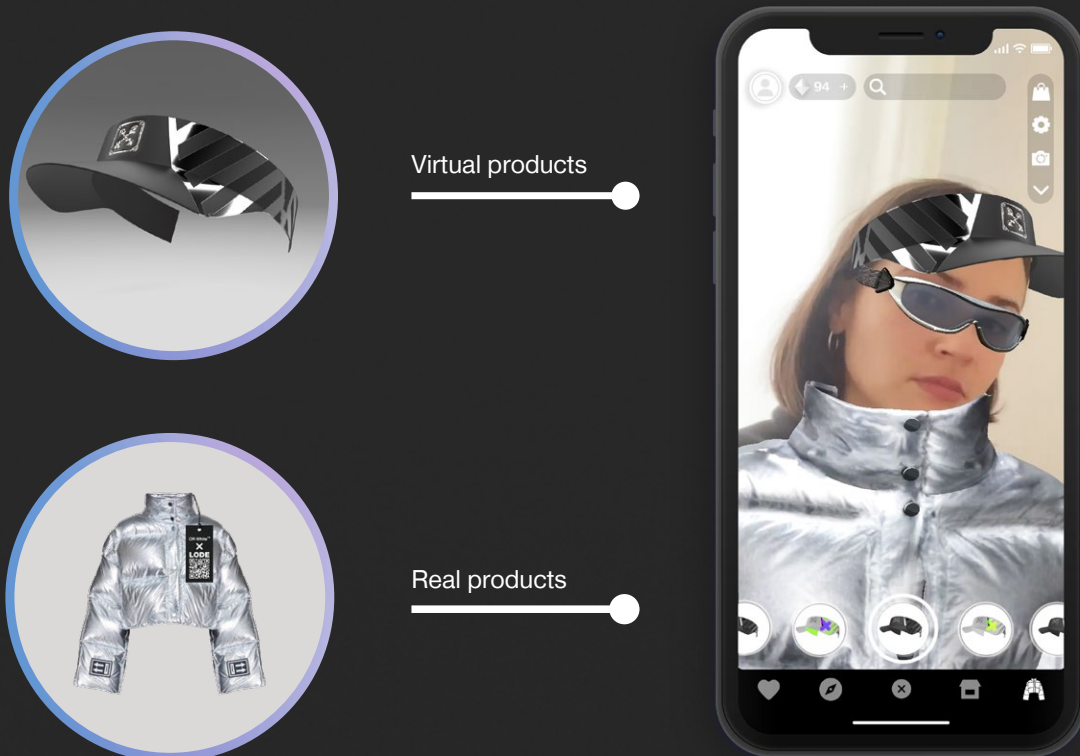




## 1 .AR Try-On Experience

We see our AR try-on experience as the ultimate digital styling experience. Both fun and practical, we focus on the ability to create full outfits in AR, mixing real and virtual products as a tool for digital self-expression. We acknowledge the desire for consumers to be able to own and wear both real and virtual clothing in this new digital era. We sell two types of products on LODE :

1. **Real products** : these are physical products that users can purchase to wear in real life . They can be tried on in our virtual try on experience.
2. **Virtual products** : these are virtual products that users can own on the app and wear using our AR filters.



Both of these types of products exist in symbiosis on our virtual try-on experience in which, by using the front-facing camera of their smartphones users can :

1. **Try Before Buy** : user can try-on real products in AR on themselves before making a decision about an irl purchase
2. **Unlock virtual products** : users can unlock purely virtual products designed by brands to match with real physical products for an IRL meets URL styling experience
3. **Virtually style full outfits** : users can create and style full outfits with our full-body tracking abilities. They can style clothes and accessories virtually from head to toe.
4. **Share their creations with friends** : users can share any of their looks directly from our app to friends or post to their social media feeds

## 2. 3D Gamified Boutique Experiences

Virtual boutiques on LODE are fully immersive, interactive and designed to the brand's image. Our spaces range from looking like trendy concrete boutiques to purely fantastical sculptural display pieces set in the middle of the ocean. When it comes to the design of these virtual boutiques, the only limitations are the ones of our imagination.

Apart from being beautiful, our virtual spaces are also functional, allowing users on our app to :

1. **Navigate the boutique** : users can stroll through the virtual boutiques as you would in any realtime 3D games and discover new collections
2. **Interact with products** : Interact with 3D products in the same way you would in real life (pick up, rotate, etc.)
3. **Play games** : Our gamified features allow users to play mini games that can allow them to earn in-app tokens or match them to specific products for a more interactive and fun shopping experience

Boutiques on **LODE** evolve through time and seasons. They can be unique to each brand, each season. That's because we are constantly updating and automating design processes with our **asset library**. This means we can change the style, placement of products and atmosphere to fit each new collection for an entirely new experience in a few days instead of weeks. Considering how currently every ecommerce website looks very similar, switching through their virtual boutiques can be very different – capable of reflecting a **brand's true DNA**.



## Layer 02\_Virtual Fashion Boutique Ecosystem

During our second step of development, we want to enable fashion brands and fashion enthusiasts on **LODE** to seamlessly represent themselves in various digital environments : from social media, to video games, to the metaverse.

### For Brands :

During this second phase of development, we want to allow brands to decide whether they want to RENT their virtual boutique on **LODE** or OWN their virtual boutique in the form of an NFT. By renting the boutique, brands can only have the boutique featured on LODE App. Meanwhile, owning the boutique will come with multiple advantages like being able to own the digital content making up the boutique and being able to export it into multiple platforms like :

#### 1. Video Games

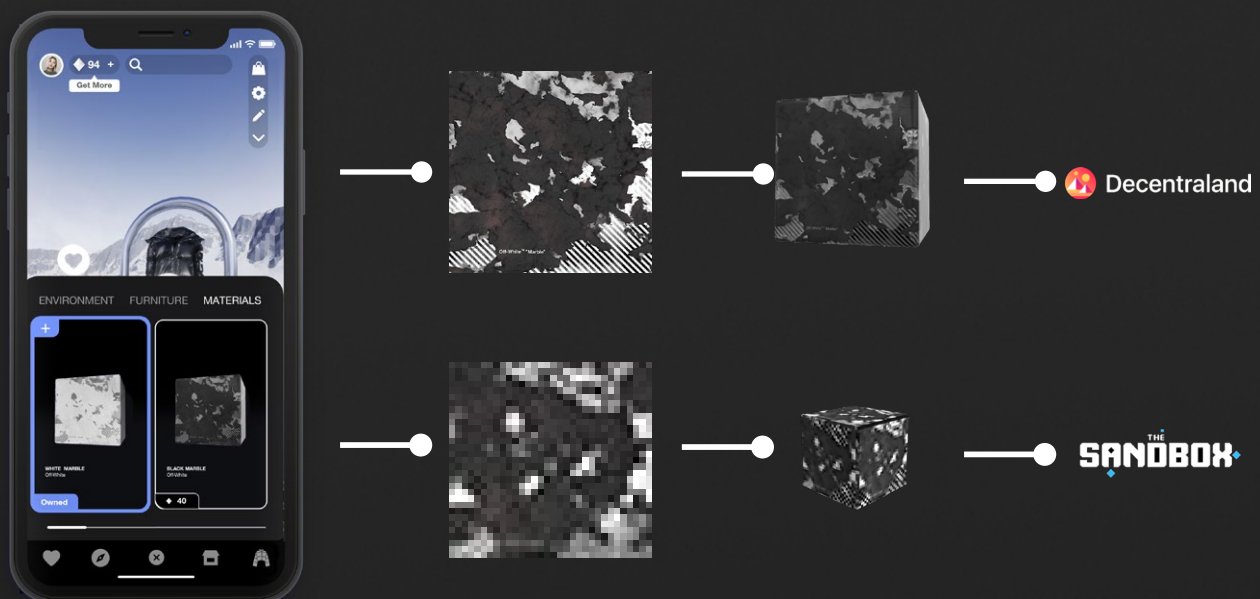
- a. Games that allow for user-generated content (e.g. The Sims, Roblox)
- b. Partnerships with games that control content ( e.g. Zepeto, Fortnite)

#### 2. Metaverses/Virtual Worlds

- a. Having their store being part of user-generated content Metaverses (i.e. Decentraland, Sandbox Game)
  - i. On our dedicated LODE virtual parcels as pop-up stores
  - ii. Through partnerships with metaverse real estate developers that are buying out virtual land and turning districts into commerce hubs

#### 3. Any other media

- a. Using the 3D assets for marketing purposes
- b. Using the 3D assets for video/image content for social media





By leveraging its creativity, virtual environment design skills **LODE** can become the retail architects of the metaverse, we can allow brands to own (and trade) 3D boutiques, furniture and digital materials as NFTs.

### For Users:

Similarly to brands, allowing users to seamlessly represent themselves on the metaverse means extending the life of products purchased on **LODE** by being able to virtually wear them across multiple platforms like :

#### 1. Video Games

- a. Purchased products on LODE can be worn as skins in games that allow for user-generated content (e.g. The Sims, Roblox)
- b. Purchased products on LODE can be worn as skins in games that don't allow for user-generated content, through gaming partnerships( e.g. Zepeto, Fortnite)

#### 2. Metaverses/Virtual Worlds

- a. Purchased products on LODE can be worn on metaverse avatars (i.e. Decentraland, Sandbox Game)



This second layer aims for a file interoperability process that allows for both brands and users to enter the metaverse and possess a seamless virtual identity across multiple games and platforms. Blurring the lines between IRL and URL, brands can own virtual stores on LODE that are branded in a similar way on Decentraland, while users can style their avatars in a similar way to how they are dressed, or vice-versa, dress themselves with virtual clothing like their favorite video-game character.

## Conclusion

Outlined here is the direction for LODE. LODE is more than a shopping app. It's first iteration is a critical step to **allowing broad/global access to virtual stores**, but beyond that, LODE creates new channels of revenue for brands and demand from consumers, by making all the digital assets that surround fashion products valuable as well. **Our aim is to create the most entertaining fashion marketplace to date, allowing fashion brands and enthusiasts to develop their virtual identities. If you want to revitalize the way we shop online by bridging the best of gaming, fashion and virtual worlds, we invite you to join us in this experiential e-commerce revolution.**

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