



Digital trust key to counter risk when implementing a metaverse strategy

How technology companies can navigate the metaverse with confidence

October 2023
KPMG in Singapore



Contents

- 01** ▶ Ensuring digital trust is critical as emerging technology risks remains high on the radar for tech companies **03**

- 02** ▶ Top threats to technology company growth over the next three years **04**

- 03** ▶ Metaverse rising **05**

- 04** ▶ Entering the metaverse: How to ensure that digital trust is an integral part of the gameplan **08**



Ensuring digital trust is critical as emerging technology risks remains high on the radar for tech companies

Technology company leaders frequently face risk, given their products often challenge conventional norms and create new paradigms. New risks are constantly emerging in today's climate, spawned by the economy, geopolitics, climate change, cybercrimes and other variables.

As Singapore continues its push for digital transformation across all industries, digital trust will be a key factor in helping to maintain the confidence and reliability of the entire digital economy.

Proper guardrails, such as policies and frameworks, will need to be in place to protect data and systems, making sure confidential data is protected from breaches and abuse, and demonstrating the safe and ethical or sustainable use of such technologies to

stakeholders. These are elements necessary to forge trust in businesses.

With emerging technology like the metaverse having the potential to disrupt and change the way we work, ensuring digital trust in these new technologies is important. Executives are constantly confronting the decision of which emerging technologies to invest in, and how much, to make their businesses more successful in the near term while avoiding obsolescence in the long term. These decisions are made with today's best available information, hoping that some new and unforeseen innovation will not usurp them. As a result, emerging technology risk has consistently ranked as one of the top threats to growth for technology companies in the KPMG Technology Industry CEO Outlook surveys.



Top threats to technology company growth over the next three years

2022 outlook		Change from 2021	2021 outlook	
▶ Operational issues	14%	▲	▶ Cybersecurity	31%
▶ Emerging / disruptive tech	12%	▼	▶ Emerging / disruptive tech	17%
▶ Reputational risk	12%	▲	▶ Tax	11%
▶ Political uncertainty	11%	▲	▶ Climate change	8%
▶ Interest rates	9%	▲	▶ Operational issues	8%
▶ Cybersecurity	8%	▼	▶ Regulatory concerns	8%
▶ Climate change	8%		▶ Reputational risk	7%
▶ Regulatory concerns	8%		▶ Talent	4%
▶ Internal unethical culture	7%	▲	▶ Return to territorialism	3%
▶ Return to territorialism	6%	▲	▶ Interest rates	3%
▶ Talent	4%		▶ Supply chain	3%
▶ Supply chain	1%	▼	▶ Internal unethical culture	0%
▶ Tax	0%	▼		

Source: KPMO CEO Outlook 2022, n= 110

Source: KPMO CEO Outlook 2021, n= 120



Metaverse rising

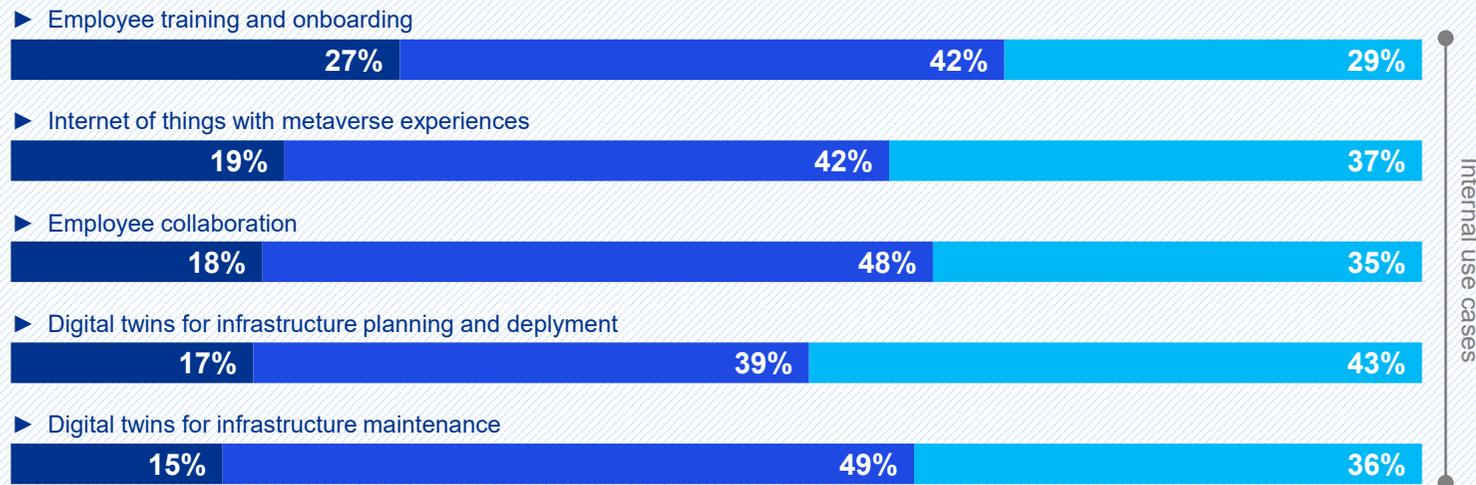
The metaverse is the latest emerging technology to challenge tech company leaders, especially since it has varying definitions and different opinions on when the technology will reach maturity and mass adoption. Use cases are also developing, but for technology companies, the top near-term ones (present to 3 years out) center around employee training and collaboration, Internet of Things with metaverse experiences, and digital twins.

Companies in Singapore too, are hopping on the bandwagon, with several investments already made in this space. However, the success of these investments would depend on whether the metaverse can reach mass adoption, both in Singapore and globally.

The findings below reveal what executives around the globe think of the different use cases for the metaverse and their outlook on it:

Tech leaders view internal metaverse use cases as being the closest to reality.

Of the metaverse use cases identified, how long do you think it will reasonably take to enable them for your company? (Only technology company respondents' answers shown.)*



KEY

- Present to 3 years out
- 4 to 9 years out
- 10+ years out



▶ Custom digital twin solutions for customers



▶ Metaverse-based augmented reality for field service technicians



▶ Custom metaverse experiences for customers



▶ AI solutions for use in the metaverse



▶ Smart city digital twins for customers



KEY

■ Present to 3 years out

■ 4 to 9 years out

■ 10+ years out

Base: Variable Global strategy decision-makers at companies with \$250M+ in annual revenue * Variable for each row
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, December 2022



▼ In a recent study of 767 technology, media, and telecommunications (TMT) executives conducted by Forrester Consulting on behalf of KPMG International, many respondents appear reluctant to invest heavily in the metaverse in the near term:

▼ However, the surveyed TMT leaders are more bullish about the metaverse's longer-term potential:

72%

are spending less than 5 percent of their tech budgets on the metaverse

34%

Only a third are building a business case to enable a metaverse strategy, and one quarter (25 percent) are not planning to pursue metaverse opportunities at this time

6 out of 10

believe the metaverse will have a huge impact on consumers and businesses. Three out of ten go so far as to believe it's the future of human interaction.

92%

plan to increase or maintain metaverse investments two to four years from now

84%

plan to increase or maintain metaverse investments in the five-to-10 year outlook

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, December 2022



Entering the metaverse: How to ensure that digital trust is an integral part of the gameplan:

While the metaverse has a wide variety of use cases, none of them would take off successfully without digital trust. For consumers, this may mean data security and privacy on the platform they are using, and for shareholders, this could mean trust in the company's ability to improve bottom lines by embracing new technology.

For Singapore to be seen as the gold standard when it comes to interactions in the digital space, these criteria will need to be met. How can businesses help Singapore to achieve this?

1. Making digital trust a priority organisation-wide in the metaverse

To effectively establish digital trust, it is crucial for organisations to prioritise it throughout their entire operations. Each step of the process needs to be re-evaluated to ensure a comprehensive approach.

A. Plug the gaps

Before adopting new technology solutions, companies should conduct an audit to identify areas that require improvement. By setting clear objectives and exploring the metaverse for suitable solutions, businesses can not only avoid unnecessary expenses but also position themselves as digitally-forward and proactive.

B. Diversifying risk

Transactions in the metaverse heavily rely on non-fungible tokens (NFTs). However, the lack of sufficient regulations governing NFTs poses risks such as potential unrecognised value or loss if a platform shuts down. While pursuing opportunities in the metaverse, organisations must simultaneously mitigate risks by diversifying investments and exploring alternative options. This demonstrates a responsible approach and instills trust among shareholders and investors as the company ventures into the digital realm.



C. Extend digital trust to the entire network

Digital trust should not be limited to the company alone; it must also extend to suppliers and stakeholders. Recognising that one weak link can jeopardise the integrity of the entire system, organisations should prioritise digital trust across their networks.

This could involve onboarding vendors who have achieved the necessary data security certification, and ensuring they adhere to an internal code of conduct that safeguards against fraud and loss. This becomes especially important in the absence of metaverse-specific regulations, emphasising the need for caution until regulatory frameworks catch up.

Currently, there are no specific regulations targeting the metaverse in Singapore. However, the Singapore government is studying the implications of these new technologies, focusing on areas such as online safety and the protection of intellectual property.

2. Leveraging best practices from around the region to build digital trust in the metaverse

To enhance their digital capabilities, many countries across the globe, including Singapore, have been forging global ties and partnerships in areas such as digital trade and cross border data flows.

These collaborations aim to facilitate secure transactions in the digital economy. However, the region lacks a common framework that ensures interoperability and establishes guardrails for the digital economy.

This gap presents a unique opportunity for Singaporean firms. By collaborating with overseas counterparts, businesses can leverage the best practices adopted by these partners. Combining this knowledge with Singapore's deep understanding of the Asian market, businesses can develop tailored solutions and strategies to cater to Asia's digital infrastructure.

These innovative solutions can be implemented locally, and they also have the potential to be exported as services to other countries. This can help to further enhance Singapore's reputation as a trusted digital node. One area where Singapore excels is its national digital identity system, SingPass, which is rapidly gaining traction.

By actively participating in international partnerships and drawing on the expertise of its global counterparts, Singapore can solidify its position as a pioneer in digital trust within the metaverse.



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