5 REASONS WHY THE METAVERSE MATTERS
5 REASONS WHY THE METAVERSE MATTERS (and why you should be thinking about it now)
Ask ten different people to describe the metaverse, and you’ll probably get ten different answers. Ask ten more, and they’re just as likely to not have a clue what you’re talking about.

To be sure, it’s an emergent topic, and the landscape is shifting at pace. Perhaps that’s exactly what makes it so exciting, and why so much opportunity (and optimism) abounds. And in many ways, the world of fashion & luxury is already at the tip of the spear, culturally and commercially. But as a category, we are very far from achieving a consensus around what it is, and what it all means.

What’s happening? WTF is an NFT? What, if anything, does that have to do with the metaverse? And what about web3? How do they connect? How did we get here? And where are we going?

What follows is our attempt to answer these questions and more. To offer a perspective on where all this might lead, and give you some frameworks for thinking about what you can do about it now (whether you’ve thought about it before this moment, or not).
5 REASONS WHY THE METAVERSE MATTERS

01. XR and the "embodied internet"
02. Blockchain and the decentralised web
03. NFTs and scarcity value
04. Community and the "business of belonging"
05. Web3 and the "spirit of the space"
If there is a kind of consensus around what “the metaverse” means, it’s around the idea of virtual worlds and experiences. However, the metaverse isn’t the metaverse if people can’t use the things they buy in one world in any of the others.

For that to work, these virtual worlds and experiences will need a strong foundation on the blockchain.

Blockchains are simply decentralised databases that manage records and transactions in a way that people can still trust. First developed for cryptocurrencies like Bitcoin, blockchain can be used to confer scarcity value on any digital asset.

NFTs are currently the best example of that, being digital goods that people can own and trade against an agreed price. The underlying value of NFTs is only as strong as the community consensus that one has built around them, both online and off.

These emergent technologies and cultural norms are known collectively as “web3”, signifying the next era of the Internet. It promises to have an impact far beyond the walls of virtual worlds, and transform every aspect of your business.
The most common, and well rehearsed, way to think about the metaverse is as what Mark Zuckerberg describes as an “embodied internet.” Something that plays with, emulates and evokes the spatial qualities of the real world.

Simply put, this is the familiar territory of XR (or “extended reality”), from VR to AR, digital avatars to in-game skins. As our consumption of traditional, linear forms of entertainment like TV, movies and music decreases in favour of gaming and social media, this clearly represents a huge opportunity for creative expression and commercial growth. And brands like Balenciaga and Gucci are already leading the way.

But if someone tells you that they’re in the metaverse, and you have to ask which one… they’re not really in the metaverse.

The desirability and worth of digital goods (and their associated utility value) is seriously diminished if you can’t transfer them from one virtual world to another. Can I really be said to “own” an outfit if someone else is dictating when and where I can wear it?
Over the last 20 years, we have grown accustomed to the idea that digital things are not really things that you can “own”. We’ve traded CDs for Spotify, and DVDs for Disney+. We have switched from a model predicated on ownership to one based on the idea of access (for as long as we’re paying the subscription fee). And this has put immense power (and profit) in the hands of a new breed of centralised platforms.

But of all the challenges faced by Satoshi Nakamoto when they invented Bitcoin, this was the biggest: if digital things are infinitely and losslessly replicable, how do you stop the same coin being spent by the two different people at the same time? “Blockchain” was their solution: a decentralised ledger of every transaction, and an immutable record that everyone could trust despite (or because) it is not managed (or able to be tampered with) by any one, single party. Critically, these digital assets need to be usable - and transferable - across multiple touchpoints and platforms.

Slowly but surely, people started to ask: if blockchain is good enough to manage money, what else might we use it for?
NFTs and scarcity value

If Bitcoin uses a blockchain to control the amount of coins in circulation (in order to give the currency some stability), NFTs use the same approach to endow other assets with scarcity value — and in so doing, enhance their desirability. In short: both are making digital things behave like real world assets, and adhere to (something like) market forces IRL.

Given our relationship to digital assets over the last 20 years, this is a novel proposition for most. For a generation raised on exclusive, limited edition in-game accessories... not so much. The eye-watering numbers attached to some of these assets - $69 million for Beeple’s “Everydays”, $6 million for Dolce & Gabbana’s Collezione Genesi, $23 million for Adidas’ first foray “Into The Metaverse” - are some measure of their desirability. They are also, of course, indicative of speculative investment behaviours and currency volatility.

But to focus purely on price is to miss the mark if you’re trying to understand the long-term implications of what’s going on — or win even in the short-term.
Even early adopters are growing increasingly wary of creators and brands trying to jump on the bandwagon, and make a quick buck simply by selling overpriced JPEGs. Successful projects such as Bored Ape Yacht Club are gaining cultural currency by releasing assets that give the owners special privileges, and access to future releases, experiences and events — both online and off.

This is not simply a soft, attitudinal consideration. It’s essential to the venture’s commercial performance. As the Harvard Business Review put it recently: “A token’s worth comes from the holders’ shared agreement, and this means that the community one builds around NFTs literally creates those NFTs’ underlying value.” People aren’t just buying NFTs so they can own a JPEG. They’re buying membership to a club. They’re taking a stake in the business.

Moreover, the underlying architecture that makes all of this possible - the decentralised and distributed nature of what is increasingly being referred to as “web3” - is unlocking and enabling a new, and more equitable, relationship between artists and their audience, between brands and their fans.
Regardless of the nature of their work - 2D or 3D, VR or AR, a work of art or a piece of virtual merch - creators and entrepreneurs within the space are increasingly enjoying the benefits of a truly direct relationship with their fan base.

The decentralised nature of web3 means that there’s no middlemen to go through, and the fact that their fans are invested in them, both literally and figuratively, supercharges word-of-mouth. The better the venture performs culturally, the greater the financial rewards not only to the community as a whole, but also the members as private individuals. This is what early adopters in the space mean when they say WAGMI (“we’re all gonna make it”). Implicit within all of this is the promise of a tidal wave of disintermediation, and the idea of an Internet de-FAANG-ed. This goes some way to explaining the hyperbole to be found at a grassroots level (whether you buy into it yourself or not).

What is certain is that this promise is substantiated by the architecture of web3 at a deep, infrastructural level, and like we’ve never seen before. Only time will tell if it can deliver on the dream.
“WAGMI!”

“I’ve heard this before…”
The future will most likely be purple...
If our prose is sometimes purple too, it’s because we think the possibilities are endless, and share in the excitement and optimism. But we are also alive to the challenges, and wary of drinking other people’s Kool-Aid. If you’re unconvinced by the idea that, in the future, people will be spending all their time wearing a VR headset, we are aligned. If you’ve been thinking that the NFT bubble is going to burst sometime soon, we’re inclined to agree. Just look at what happened after the dotcom boom period at the turn of the century. But then, remember what happened next...

We view the metaverse, NFTs and everything in between as simply current, surface manifestations of a deeper and more systematic shift towards the next stage of the web. That shift is already well under way. It promises to change how you do business all over again, and in ways that we’re only just starting to understand.

Indeed, we suspect that the only certainty is that we won’t be calling it “the metaverse” when we get to the other side.

Nevertheless, we believe that, when we get there, we will see the digital and physical worlds woven together into a seamless whole. We anticipate the scales tipping more in the direction of retention-based marketing models, with growth being driven by incentivised word of mouth. And as the “death of the cookie”, and the spectre of further regulatory interventions, continue to erode the very business model that has supported Web 2.0 giants for so long, we think the macro-trajectory is clear. The only question mark is over the velocity.

There being no maps for these territories, we expect the ones that do make it to the other side to be those that start the journey now. If that sounds like you, we’d love to hold your hand along the way.
Where are we now?
And where do we go next?
A brief (and accelerated) history of virtual fashion

**NOV 2019**
Digital fashion studio The Fabricants sells a virtual dress for $9,500, and the Internet loses its mind

**NOV 2020**
Balenciaga launches its FW21 collection in the form of a fully playable computer game

**MAY 2021**
Gucci Garden opens inside Roblox - and sells a virtual handbag for more than its real-world counterpart

**OCT 2021**
Dolce & Gabbana sets the record for a virtual collection, selling 8 outfits at auction for a total of $6 million

**NOV 2021**
Adidas partners with the year’s hottest NFT brand, Bored Ape Yacht Club, to attain new cultural relevance

**DEC 2021**
Nike announces that it is acquiring virtual streetwear brand RTFKT for an undisclosed sum
We’ve come a long way… but there’s a way to go

REF: WORLD BANK, GLOBAL MACRO INVESTOR REPORT 2021
High barriers to entry remain

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<thead>
<tr>
<th>ACCESSIBILITY</th>
<th>VOLATILITY</th>
<th>USABILITY</th>
<th>MENTALITY</th>
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<tr>
<td>Ever-increasing floor prices are shutting out newcomers financially</td>
<td>Fluctuating cryptocurrency valuations are scaring off newcomers psychologically</td>
<td>Complexity of interface &amp; unfamiliar terminology are creating friction procedurally</td>
<td>Novelty of owning digital things can be challenging for newcomers conceptually</td>
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Essential ingredients for long term success

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<th>ASSETS &amp; TOKENS</th>
<th>COMMUNITY</th>
<th>EVENTS &amp; EXPERIENCES</th>
<th>ACCESS &amp; UTILITY</th>
<th>ROADMAP</th>
<th>ONBOARDING</th>
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<td>On-chain assets that can be bought and traded, that grant the owner a stake in the project and act as a badge of membership</td>
<td>A strong community, with a clearly defined purpose, topics of conversation and evolving set of roles for members to play</td>
<td>Experiences, environments and events that asset owners and community members can enjoy, both online and off</td>
<td>Unlocks and privileges for participation and ownership, delivering ongoing value or rights to the community</td>
<td>A clear vision and direction of travel that reassures newcomers that the project is worth investing their time and money in the longer term</td>
<td>An ecosystem that demystifies the web3 world, and a tokenisation strategy that supports multiple levels of investment and engagement</td>
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<td>Sandbox, Decentraland</td>
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Leading people into the metaverse, layer by layer

**WEB 2.0**

- AR lenses & filters
- Brand microsite
- “Crypto Twitter” & Discord communities
- POAPs & wallet onboarding

**WEB 3**

- NFTs, PFPs, collectibles and coins
- Virtual worlds
- Avatars, skins & accessories
- Events (online/offline)
- Cultural commentary & analysis
What this will mean for the future of fashion & luxury

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<th>NEW REVENUE STREAMS</th>
<th>NEW MARKETS</th>
<th>NEW RELATIONSHIPS</th>
<th>NEW INSIGHTS</th>
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<td>Product lines that span the physical and digital realms, from virtual wearables and merchandise, to event passes and digital artworks, and everything in between</td>
<td>Expanding your cultural footprint beyond the traditional heartlands of fashion and luxury, and reaching new audiences in new locations, both virtually and geographically</td>
<td>A more direct and disintermediated relationship with your customers and fans, and a relationship of equals, in which they will have a stake in your business, commercially and creatively</td>
<td>A more intimate relationship with your customers, and deeper understanding of their behaviours and purchase habits, based on the contents of their wallets, not just their social graph</td>
<td>Combining these new insights with virtual production pipelines to drive efficiencies and personalisation IRL, and at scale, blurring the lines between custom tailoring and ready-to-wear</td>
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How we’re starting to frame the opportunity right now
IF THE METAVERSE IS A MOUNTAIN...

then the people featured on the following pages are climbing it. We caught up with friends and family of FLUX, interviewing four people who have really committed to the virtualisation of fashion, and are learning what works – and what doesn’t – the hard way. We asked them to share their perspective on the space, and tell us: “What does the metaverse mean to you?”
Tell us a bit about you, and how you became interested in the world of virtual fashion in the first place. Both of us have a background in the more traditional world of fashion, you could say. We are both originally from Ukraine, where Natalia worked as a journalist, and Daria used to run our national Fashion Week. Eventually, we became very aware of the inefficiencies within the industry. And meanwhile, influencer stylists on social were shifting attention increasingly to digital platforms – and those platforms were themselves becoming the most valuable brands in the world.

And so, in 2018, we established the Fashion Tech Summit in Paris, to try and bring these worlds together. But it quickly became clear that both sides were speaking very different languages to one other. Hence, we decided to create DressX in the attempt to really show both sides how things could be done. We started with a real-world pop-up experience where people could try on virtual items and walk away with a digital asset of them wearing their look; but then the pandemic hit, and we moved wholly online. Things really took off from there.

How did you start building out your customer base? We launched in the summer of 2020 in partnership with six artists. Each of them brought with them their own following, and introduced us to other artists, who in turn helped us to reach even more people. Essentially, we were leveraging the profile of our collaborators whilst building our own, which not only helped us grow our audience organically, but also enter the space in ways that felt authentic to the communities that were already there. They were small but passionate when we started – certainly, they’re bigger now, but no less engaged.

Who is your main customer right now, and why are they coming to you? Naturally, our customer is already very involved with the world of fashion, but they are looking for something new, and within that, most especially new ways to enhance their digital persona, and how they present themselves online. Certainly, they are very aware of the environmental concerns around the category as a whole, and that’s a big part of our appeal to them. Sustainability has been at the heart of what we do from the very beginning, hence our annual sustainability report, and our efforts to be carbon neutral as a company. Virtual fashion has a much smaller ecological footprint than physical products, of course; but we are careful to carbon offset whatever impact we are having. As we move increasingly into the world of blockchain and NFTs, that becomes even more important.

Our core customer base currently skews towards millennials, and perhaps unsurprisingly, women. But that is shifting as we mature as a company, and expand our audience into other age groups and demographics. The Gen Z audience is much more engaged with filters and lenses, so we are investing heavily in a real-time video offering. And they are also much more engaged in the gaming world too, so you should expect us to announce a partnership in that space sometime very soon. Meanwhile, we’ve found that the world of NFTs is still very male dominated, so our initial drops on the blockchain have been bought predominantly by men, and primarily for investment purposes. But we are working hard to onboard more women into the web3 space, with things like our recent Future Is Female NFT drop, which proved very successful.

What is your long term ambition, and what do you anticipate being the main challenges in getting there? Virtual fashion is not yet mainstream. Right now, we are playing into very specific sub-cultures and communities, where the feeling is very strong. There are certainly usability challenges to be overcome (most especially on blockchain). And whilst there are many clear use cases for virtual garments, their utility value is commonly misunderstood. For as long as the landscape is siloed and split into separate worlds, this will likely continue – interoperability is not just a technology problem, it’s a commercial one. But we are very confident that we can achieve our goal of selling 1 billion outfits across 200 million wardrobes, and being regarded as the Net-a-Porter of virtual fashion.

We believe both the online and offline worlds can, and should, co-exist quite happily. In the future, it will be perfectly normal to have both physical and digital wardrobes, and they will behave in similar ways. Blockchain promises to give virtual goods the kind of longevity that we haven’t seen in digital spaces before. We can even imagine a world in which there are digital heirlooms, with items being passed down from one generation to another, much as they are in real life. There is already a very healthy secondary market for NFTs in general. Today’s virtual outfits will be the vintage wear of tomorrow’s metaverse.
Tell us a bit about you, and how you became interested in the world of virtual fashion in the first place. Republique is the world’s first fully digital fast fashion brand. I like to say that we are fashion-first, but our choice of fabric just happens to be pixels. Certainly, the genesis of the idea was very much in response to the industry’s ecological footprint, and the growing consumer unrest around that. Our original design target was an activist-driven Gen Z type who spends more time on social than anywhere else. They love fashion, but they don’t want to feel guilty about it. And we saw the opportunity to give them the ability to express their love of both fashion and the environment through digital wearables that they can share on social. So, our original mission was very much to challenge and disrupt the industry, and that remains to a degree. But the truth, of course, is that the sustainability angle isn’t enough on its own. If there’s not more, she’ll buy once, make the sustainability statement, and then move on.

Who is your main customer right now, and why are they coming to you? Our core consumer audience is female, starts from 17 and runs to about 23/24. I’d describe them affectionately as a bit “Love Island” brigade, but there’s a little bit of Greta [Thunberg] in all of them, so the sustainability angle is definitely what has drawn them in originally. But first and foremost, they’re natural-born content creators, and so they have a voracious appetite for newness, both literally and figuratively. Certainly, the novelty of virtual fashion is a big part of the appeal, and our sustainability narrative helps them feel good about things. But perhaps more importantly, our most popular items and collections have a kind of exuberance that they most likely would find intimidating IRL. Virtual fashion and social media gives them the ability to experiment and express themselves in ways that they may not if they were just out and about with their friends in the real world.

Equally, we’re moving increasingly beyond our original DTC proposition, and partnering with other brands. We’ve done a lot of work with French retailer Monnier Frères, who carry a lot of our items, which has helped us - and them - to reach new audiences in new markets. This kind of partnership also gives both sides the opportunity to experiment with new products and experiences. For example, we’ve just worked with them again, building a virtual store in Decentraland for Metaverse Fashion Week. And likewise, we’re in talks with a lot of high street or online DTC brands to help them bridge the gap between the physical and digital worlds. Even pre-pandemic, we had a lot of interest from brands looking to make physical copies of our digital designs. But since covid hit, the conversations have gone much more in the other direction, and much more B2B: “How might you help us digitise our clothes?” So now we’re working with brands like Coach, Axel Arigato and Ester Manas on that kind of thing.

How do you see your customer base expanding in future, and what do you think they will want that you don’t (or can’t) offer yet? We’re focussed on ageing up our proposition as our audience matures. In fact, I think there’s a very clear maturity model for consumers. For tweens and early teens, their centre of gravity is very much in the area of AR lenses and filters on Instagram or Snapchat. The heartland for wearables right now is in the 17-24 age range, maybe up to 26, hence our focus there to date. But as our audience reaches their late twenties, they’re a bit “now what?” And they’re starting to have the wherewithal to think about NFTs. Now, this space has been historically very male-dominated, and driven by market speculation more than self-expression - I know for a fact that all the Dolce & Gabbana NFTs were bought by investor-types, for example - but that is changing. More and more women are entering this space, and you should expect to see us showing up there in earnest very soon. But if we’re ageing up, we should be ageing down too. So you’re as likely to see us popping up on, say, Roblox as you are on OpenSea.

THE METAVERSE IS AN ALL-ENCOMPASSING VIRTUAL AND EXPERIENTIAL ENVIRONMENT, FUSING SOCIAL, AR, VR AND THE BLOCKCHAIN TO CREATE ENGAGING VIRTUAL EXPERIENCES FOR BOTH CONSUMERS AND BRANDS.

What is your long term ambition, and what do you anticipate being the main challenges in getting there? We want to be there for people as they take their first steps into the digital sphere, and in the realm of virtual fashion. That’s going to mean all sorts of things moving forward, as the use cases continue to expand. Fundamentally, we want to remain the most accessible digital fashion brand. We see ourselves as more like a virtual ASOS than anything else. So we will obviously maintain a relentless focus on targeting the widest possible audience, and at the lowest possible price point. Clearly, the macro-trajectory for digital wearables is in the direction of web3 and blockchain. And within that, the biggest challenge is not just price but basic usability; the UX around crypto-wallets and the path to purchase is currently pretty poor. And of course, blockchain has a terrible reputation around sustainability right now. But even now, I still maintain that NFTs of any stripe have a better ecological footprint than almost any physical fashion item.

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What is your long term ambition, and what do you anticipate being the main challenges in getting there? We want to be there for people as they take their first steps into the digital sphere, and in the realm of virtual fashion. That’s going to mean all sorts of things moving forward, as the use cases continue to expand. Fundamentally, we want to remain the most accessible digital fashion brand. We see ourselves as more like a virtual ASOS than anything else. So we will obviously maintain a relentless focus on targeting the widest possible audience, and at the lowest possible price point. Clearly, the macro-trajectory for digital wearables is in the direction of web3 and blockchain. And within that, the biggest challenge is not just price but basic usability; the UX around crypto-wallets and the path to purchase is currently pretty poor. And of course, blockchain has a terrible reputation around sustainability right now. But even now, I still maintain that NFTs of any stripe have a better ecological footprint than almost any physical fashion item.
Tell us a bit about you, and how you became interested in the world of virtual fashion in the first place. After fashion school I took a number of internships in production studios, where I saw first-hand how wasteful the process of creating samples could be. We might produce five variations just for one design, and then dispose of everything after it was done. Nevertheless, I still believed in the power of fashion and brands to connect people, and enable them to self-actualise.

Ultimately, I’m a bit of a sociology nut, and I describe myself as a fashion/tech anthropologist, in that I’m very audience- and behaviour-led. And I could see early on, even then, that on every level the category needed to embrace virtualisation, and most especially in terms of how people were spending their time. And I guess that’s what drew me to NFTs and the world of web3. NFTs connect you with people who view the world in the same way you do, and in a context that transcends the limitations of the physical world. And this really resonates for me personally, because I grew up in a culture where I found it impossible to assimilate with the people around me.

And what can you tell us about Style3D and its commercial proposition? Lots of fashion brands have realised the tremendous value and advantage of working in 3D, but there are still a lot of software interoperability and process issues to be solved. For example, CLO3D may be great for rapid prototyping, but if I want to take that file and make it into a photo-realistic render, I need a pipeline of 5-10 different applications. And different parts of your business might have quite different pipelines as a result. Style3D solves these issues by offering an accessible, easy-to-use and intuitive 3D solution, that digitises the entire design process – from digital materials creation and selection, 3D design and virtual prototyping, all the way to merchandising. Our solution is not a single tool, but an ecosystem that enables fashion companies, regardless of their size or market cap, to streamline their design workflow, scale their 3D processes and even create 3D virtual assets ready to be dropped into different metaverses. Our in-house team of experts can help clients kickstart their journey by digitising their designs or pattern blocks, allowing them to start working in this new paradigm right away, and then take advantage of the incredible opportunities of the metaverse without time-consuming implementation or organisational change.

Who is your main customer right now, and why are they coming to you? Right now, the nature of our business - the problems we were invented to solve, and the tools that we make - means that we’re very B2B focussed. But as awareness of, and interest in, virtual fashion increases, as the market for in-game skins and accessories continues to grow, and the appetite for digital goods in general explodes, thanks to things like NFTs… so we are increasingly turning our attention to B2C opportunities.

How do you see your customer base expanding in future, and what do you think they will want that you don’t (or can’t) offer yet? We are currently working with a range of emerging designers, virtualising their designs and making it as easy as possible for them to market themselves direct to consumer. I know the use cases for virtual fashion are currently viewed by many as being quite limited outside of the world of gaming and, perhaps, digital collectibles. As more and more virtual worlds start to spring up, that will change, for sure. But I see the real tipping point being more mainstream applications for, and adoption of, AR and mixed reality. People have been talking about this kind of thing for years, but when Apple finally brings out a range of virtual glasses, everything will change. And I truly believe that this will be soon.

The metaiverse is blending the digital and physical worlds into one seamless reality. But if the metaiverse is the end product, the underlying infrastructure is undoubtedly web3.

What is your long term ambition, and what do you anticipate being the main challenges in getting there? My personal ambition is to enable the creativity of as many people as possible, and connect them with like-minded people, in ways that are both spiritually and financially rewarding. I believe that aesthetics are just embodied ideas, so I think that virtualisation, and what’s going on in the web3 space in general, are very exciting in that regard. But yes, there are many challenges to be faced. We mostly agree on the basic ingredients of the metaiverse - VR, AR, AI and blockchain - but stitching them all together will take time. And any one of them on their own presents its own set of challenges. For example, the cognitive load of VR is immense, so there is only so much time you can spend in there in one go. I’m not sure that’s a problem that even can be solved; but perhaps it doesn’t need to be. As its inventor, Jaron Lanier, said himself: “The best thing about VR is rediscovering reality.” It’s the value and connections that web3 unlocks in the real world that interest me most.

AMAL JOMAA
Business Development Director, Style3D

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WELCOME TO THE METAVERSE
Web1 / READ
Web2 / READ+WRITE
Web3 / READ+WRITE+OWN
Web1 / DISCOVERY
Web2 / CONNECTION
Web3 / BELONGING
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FLUX is a specialist category team operating within Media.Monks.

We are a small, bespoke team that is amplified by the power of more than 7,000 award-winning experts and crafts people in data, marketing and production in over 50 countries around the world.

We combine the strategic rigour and commercial smarts of a consultancy with the taste levels and attention to detail of a creative studio. And we are designed for the future of fashion & luxury.

If you would like to find out more, our doors are open.

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