

Come Closer, but Not Too Close: How Virtual Influencers Can Facilitate or Restrict Brand Experiences in the Metaverse

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Abstract

More and more brands adopt virtual influencers in the metaverse. Evidence from business practice suggests that coming closer to consumers through deploying virtual influencers can backfire, putting increased pressure on brand managers to understand their potential advantages and disadvantages. This study aims to gain a comprehensive understanding of how virtual influencers affect brand experiences in the metaverse. Based on 15 semi-structured interviews we introduce the concept of a virtual influencer's social proximity capturing its ability to enter a user's personal space in virtual environments. We identify facilitating and restricting technological factors of a virtual influencer and argue that their impact on brand experiences operates via altering social proximity. We contribute to theory by postulating social proximity to provide entry points for future research and guide the design of experience-centric virtual influencers.

Keywords: virtual influencer, metaverse, social proximity, brand experience.

1. Introduction

In recent years, the advancement of digitization and artificial intelligence (AI) has transformed the traditional influencer profession, leading to the rise of virtual influencers (VIs) (Sands et al., 2022b). A VI can be defined as an embodied digital character, solely existing in online environments, surpassing the physical limitations of traditional human influencers (HIs) (Bringé, 2022; Sands et al., 2022b). VIs, active on social media (e.g., Instagram, Facebook), are equipped with their own personality and can be human-controlled or autonomously controlled by an AI. In 2022, users' spending related to the activities of VIs has already reached \$4.6 billion, with a projected growth of 26% by 2025 (Kuzminov, 2023).

With the ongoing discussion about the metaverse – an emerging 3D virtual environment that incorporates motion-tracking technology to translate user movements from physical to virtual reality – the relevance of VIs has increased (AJ Marketing, 2023). With its 360-degree perspectives and multisensory features, it enables captivating social encounters in real-time (Hennig-Thurau et al., 2022; Schöbel et al., 2023). Users, embodied as avatars, experience a sense of presence and intimacy akin to physical reality (Davis et al., 2009; Lee et al., 2022) while engaging in activity-based interactions that can convey deep social meanings and symbolism (Daft & Lengel, 1986; Hennig-Thurau et al., 2022). Hence, while social media interactions are limited to likes, comments, or messages, the metaverse empowers marketers with exceptional creative freedom (e.g., through 3D design elements) and novel audience engagement (e.g., through immersive and realistic social interactions like a shared virtual concert) (Bringé, 2022; Sands et al., 2022b).

In the metaverse, all actors, human or non-human, are represented by avatars with identical visual elements. Consequently, users cannot definitely know whether they interact with another human or a virtual character (Gilbert & Forney, 2015). Hence, in the metaverse, the distinction between HIs and VIs dilutes (Senapathi, 2022). In capitalizing on this feature, brands deploy VIs in the hope of establishing close, human-like encounters with consumers that facilitate favorable brand experiences. Particularly AI-controlled VIs empower brands to have seemingly indefinite and personalized one-to-one interactions with their target groups without users noticing (Kugler, 2023). Moreover, VIs offer the unique benefit of being available for in-person meetings with their community around the clock (Bringé, 2022).

Despite these facilitating factors, evidence from business practice indicates that the nature of VIs inherently poses certain restrictions that could impair

brand experiences. Emotive storytelling can sometimes backlash, as seen when Lil Miquela's vlog about her experience of sexual assault was perceived as inauthentic (Klein, 2020). The Lil Miquela Calvin Klein campaign accused of 'queerbaiting' also exemplifies concerns about in-avatar interactions promoting an unrealistic version of reality and lacking real-world experience due to their existence in virtual environments (Block & Lovegrove, 2021; Klein, 2020). This can cause negative reputations and lead to a physical-virtual dissonance in which users feel uncomfortable with letting a VI into their personal sphere (Lal, 2022; Sands et al., 2022b).

Consequently, understanding the role of VIs in the metaverse poses distinct challenges for academia and practice. Yet, past research did only investigate VIs in traditional social media. Such studies contributed by elaborating on the effectiveness of VIs on popular social media platforms like Instagram and TikTok (e.g., Block & Lovegrove, 2021; Conti et al., 2022; Moustakas et al., 2020) and investigating how users perceive VIs compared to their human counterparts (Thomas & Fowler, 2021). Although these studies improved the understanding of VIs on conventional social media channels, they neglect that for VIs in the metaverse, there is "only a persona, but no person" (Miyake, 2022, p. 5). Hence, there remains a lack of research on VIs in the unique metaverse context, particularly regarding the design features that are potent to enhance (or destroy) virtual brand experiences. Moreover, there is a lack of understanding the mechanism through which these features translate into brand experiences. As the above examples illustrate, the ability to foster high proximity between a VI and users is a unique aspect of VIs that can pose opportunities as well as challenges for brand experience. It is therefore crucial to examine VI features with respect to their potential to unfold a desirable vs. undesirable extent of social proximity.

To address this gap, it is essential to understand the brand experiences created by VIs within the metaverse, considering the factors that both facilitate and restrict VIs to evoke these experiences and the role social proximity plays in this relationship. Examining these factors will enable us to determine whether adopting VIs by brands is desirable and how brands can capitalize on VIs by creating superior experiences in the rapidly evolving metaverse environment (Marr, 2022). Accordingly, we derive the following research questions:

Which brand experience dimensions result from the increased social proximity between a VI and users in the metaverse? (RQ1)

What facilitating and restricting technological factors associated with a VI can impact its social

proximity towards users and, in turn, their brand experiences in the metaverse? (RQ2)

To answer these questions, we build on 15 semi-structured interviews with influencer marketing experts. We contribute to theory by extending the scope of influencer interactions to VIs in the emerging metaverse context, thereby exploring the specific brand experiences VIs create through their increased social proximity. Furthermore, we support practitioners in designing VIs in a way that they enhance facilitating factors while mitigating restricting factors and hence spark an optimal extent of social proximity that improves brand experiences.

2. Theoretical Background

2.1 VIs: From Social Media to Metaverse

Social media influencers (SMIs), propelled by their established credibility and a significant number of followers, have emerged as key players in shaping consumer brand perceptions through their expertise, knowledge, and captivating content (Delbaere et al., 2021; Ki & Kim, 2019). They act as independent third-party endorsers by communicating brand-related messages (Delbaere et al., 2021).

Technological advancements have led to the emergence of VIs, a new type of SMI that differs from traditional HIs by being computer-generated and without a physical human presence (Miyake, 2022). VIs are visually portrayed as interactive beings in digital environments equipped with own personalities and background stories (Moustakas et al., 2020; Sands et al., 2022a). While traditional SMIs usually act as independent third-party endorsers, VIs operate under a new paradigm as brands intentionally create and control them (Conti et al., 2022; Sands et al., 2022a). VIs are developed using advanced software (e.g., imaging, rendering tools, or AI), resulting in distinctive visual appearances (Conti et al., 2022).

The exceptional creative freedom in designing VIs enables a range of advantages for brands (Bringé, 2022; Conti et al., 2022). VIs can be utilized in various promotional capacities, allowing brands to place them anywhere at any time, unrestricted by physical limitations. Moreover, VIs offer enhanced brand safety and control as brands can fully customize VIs, aligning them with brand values, and maintaining a desired image and narrative, thereby reducing the risk of PR mishaps (Conti et al., 2022). With the integration of AI technology, VIs are basically unlimited in their capabilities. For example, they enable brands to establish real-time personalized interactions with users, empowering them to deliver

tailored experiences to their audiences (Sands et al., 2022b; Thomas & Fowler, 2021).

Recently, the emergence of the metaverse redefined the roles of VIs. The metaverse, often referred to as the next generation of social networking sites (Marr, 2022), is an online environment that bridges the physical world and its virtual appearance (Schöbel et al., 2023). It enables users to engage in lifelike interactions within a 3D environment (Hennig-Thurau et al., 2022). As the metaverse blurs the lines between reality and virtuality, both HIs and VIs are represented by the same type of avatars, making it virtually impossible to visually differentiate between the two types of influencers at first glance (Gilbert & Forney, 2015; Senapathi, 2022). As VIs in the metaverse possess the unique capability to foster highly intimate interactions with users to a degree that is challenging for HIs to achieve; brands increasingly utilize these VIs to create memorable experiences (AJ Marketing, 2023; Sands et al., 2022b).

However, it is essential to acknowledge that the nature of VIs can present challenges in this trend. VIs can potentially intrude upon the personal spaces of human users in metaverses without their consent. Thus, a key question is whether and to what extent this social approximation is desirable.

2.2 Social Proximity in the Metaverse

The interactions between users and VIs have become more intricate, as virtual exchanges are perceived as akin to real-world physical occurrences (Davis et al., 2009). We capture this approximation of VIs in the metaverse as *social proximity*, which we define as the ability of actors in the metaverse to spatially approach and enter each other's personal space. Unlike traditional social media platforms, the metaverse allows actors to virtually "walk" into each other's personal spaces and engage in any kind of real-time virtual exchange (Lee, 2022). We examine the consequences of social proximity based on media richness theory (MRT).

MRT describes how communication channels (like 2D social media or 3D metaverse) differ in their capacity to transmit information and foster understanding between individuals (Daft & Lengel, 1986). It enables the evaluation of communication media based on their ability to facilitate a shared inter-user understanding. There are four characteristics to determine a medium's richness (Daft & Lengel, 1983; Daft & Lengel, 1986).

The first, faster feedback, allows individuals to check for correct interpretation quickly and ask clarifying questions. The second characteristic, the nature of the communication channel can impact the

degree of interaction between two individuals. The third and fourth are the personality of interaction and the dimension of language observable (e.g., intonation). In the metaverse, all four criteria are affected as observable, non-verbal cues, such as body gestures and voice inflection, increase the recipient's understanding of the information being communicated (Hennig-Thurau et al., 2022). For example, AI-controlled VIs can promptly respond to users' messages while incorporating non-verbal cues through their avatar's body gestures and facial expressions.

Drawing on MRT, we suggest that social proximity in the metaverse can play a favorable as well as an unfavorable role for brand experience. With respect to favorable consequences, a social approximation between actors, achieved through factors like the ability to move towards each other and exchanging multiple verbal and non-verbal cues, could increase the understanding of information, enhancing mutual attention and support between communicators (Hennig-Thurau et al., 2022; Kim, 2011). If communication partners move close together, e.g. by expressing feelings and emotions, this can improve the richness of personal information and foster the affective bond between them (Daft & Lengel, 1986; Kim, 2011). Unfavorable consequences of social proximity can unfold through VIs ability to spatially approximate users like in the physical world (Nowak & Biocca, 2003), which can evoke the feeling that the intimacy sphere is invaded and violated. Such undesirable experiences are particularly endangered through features like room scaling that allow avatars to move freely in their shared virtual space and even have bodily contact akin to being physically collocated in the real world (Mennecke et al., 2011).

In this study, we acknowledge that the social presence of actors is a prerequisite for social proximity to occur but social presence must not always lead to social proximity. For example, while on social media, or in 2D online settings in general, social presence can be high, it will not lead to a spatial approximation of a VI towards a follower because there is no motion tracking that transmits the user's movements from the physical to the virtual environment (Mennecke et al., 2011). Most notably, while social presence has been suggested as unanimously desirable and beneficial for interaction outcomes like brand experiences (Hennig-Thurau et al., 2022), high social proximity can have a detrimental impact on brand experiences as users can feel alienated or even harmed.

3. Methodology

Researchers have just started to explore the implications of the transition of phenomena from

social media platforms to the metaverse. Due to the novelty of the topic and the in-depth insights we need to gain a better understanding of the role of VIs, we decided for a qualitative approach. In other words, we want to create theoretical knowledge about VIs in the metaverse and do not intend to confirm or test a theory. We relied on 15 interviews (IP1-IP15) with influencers who deeply understand the evolving landscape of influencer marketing and the growing significance of their virtual counterparts. They occupy a unique position as they closely engage with users and represent brands (Delbaere et al., 2021). As brand ambassadors, they play a critical role in shaping and stimulating brand experiences, acting as an interface between brands and users (Delbaere et al., 2021).

We recruited IPs through social networks: Initially, eight participants were enlisted through Instagram, three through TikTok, and four through internal referrals. Furthermore, we deliberately selected our IPs to reflect influencer-industry demographics: more than 80% of HIs are aged between 18-34 (Statista, 2023), and approximately 84% identify as female (Geyser, 2022). Consistent with these metrics, the average age of our participants was 26.2 years (min: 24, max: 37), with a gender distribution of four males and 11 females. The interviewed influencers had follower counts on Instagram and TikTok ranging from 11,600 (IP2) to 1,100,000 (IP6).¹ Interviews were conducted online via Zoom (12) and in the metaverse accessed by VR headsets (3) to preclude that results are linked to a specific interview environment and hence to ensure the robustness of our results. The interviews lasted between 33 minutes to 70 minutes.

In line with the principles advocated by Corley and Gioia (2011) for enhanced practical and theoretical usefulness, we adopted an interpretive perspective. We utilized semi-structured interviews to delve into the socially constructed realities of our informants. In these interviews, we used a predefined set of questions that focused on the experiences and anecdotes of interviewees to guide our interviews. Questions were asked in varying order and selective deep-dive questions were employed to ensure our data's richness around the core knowledge-base of the interviewees (Gioia et al., 2013). Hence, our inductive approach avoided preconceived constructs or theories, ensuring that the experiences of each informant were given enough space to unfold.

We began by gathering background and demographic information from our participants. First, we asked about opportunities and threats our IPs face,

as well as whether IPs perceived current developments as desirable. Second, we addressed how VIs can influence brand marketing strategies. Third, we aimed to understand our interviewees' perspectives on virtual brand experiences. Here, we specifically delved into their views on the role of social proximity in the metaverse. Finally, we concluded the interview with questions focusing on insights into the evolving landscape of influencer marketing, particularly with the advent of the metaverse. Each interview was recorded and transcribed (Gioia et al., 2013).

For analyzing our data, we employed the coding framework proposed by Gioia et al. (2013). Two authors of the paper analyzed and coded the results independently. Whenever discrepancies arose, the authors discussed until a consensus could be reached and second-order themes inductively emerged. Here, we focused on summarizing the essential contents into higher categories without losing important context information through an appropriate formulation of the first-order constructs and second-order themes. After the 13th interview, we observed a high degree of concept/coding saturation, with 95% of coding categories established, aligning with previous studies on the method (Guest et al., 2006) and research related to our subject matter (Schöbel & Tingelhoff, 2023).

4. Results and Discussion

4.1 The Influence of VIs' Social Proximity on Brand Experiences

In general, our results revealed that through their immersive nature and being more proximal to users, VIs in the metaverse offer brands unparalleled possibilities to affect different experiences. Within the metaverse, VIs acting as brand representatives can craft distinctive narratives, virtual personas, and dynamic settings that envelop consumers in rich brand experiences (Spajić et al., 2022). By leveraging the potential of VIs to spatially approach users, one-to-one interactions can be created (Mougan & Alverson, 2022). In the following, we use the insights from our interviews to specify and contextualize established brand experience dimensions for metaverse settings and to propose new facets within these dimensions that are indigenous to the metaverse.

Brand experiences are internal consumer responses elicited by brand-related stimuli integrated into brand designs, communications, or environments (Brakus et al., 2009). Brand experiences exhibit

¹ A detailed list of all participants demographics is provided upon request.

variations in strength and intensity and can be classified into five dimensions: sensory, affective, intellectual, behavioral, and relational (Brakus et al., 2009; Nysveen et al., 2013). The sensory dimension focuses on the brand's ability to stimulate the consumer's senses, such as sight, sound, and touch. The affective dimension involves the emotional responses and connections consumers develop during brand interactions. The intellectual dimension pertains to the cognitive stimulation that provokes productive thought and curiosity, while the behavioral dimension revolves around the physical actions, behaviors, and interactions prompted by the brand. Finally, the relational dimension focuses on establishing connections with others through the brand.

Our insights underline that VIs in the metaverse enhance the sensory dimension of brand experiences by embodying the brand in a 3D form and incorporating non-verbal expressions, evoking a tangible impression, particularly within a close range (e.g., a user's personal space). IP15 highlights VIs' visually immersive encounters, while IP3, IP11, and IP12 emphasize their avatars' unique and captivating visual appearance. Additionally, by leveraging AI, VIs maintain a persistent auditory presence, always prepared to communicate, ensuring a consistent and captivating brand experience (IP3). Furthermore, VIs can adapt their tone of voice, enabling them to deliver personalized auditory messages that enhance the sense of connection and resonance with users (IP13). Furthermore, VIs can approximate various users simultaneously across different metaverse worlds,

demonstrating an exceptional capability to concurrently sustain a visual and auditory presence and stimulate the sensory brand experience for a multitude of consumers (IP3).

If VIs approximate users closely, they can shape the affective dimension of brand experiences by providing a platform for individuals to experience and share emotions more easily. As IP6 described: "When VIs establish a close presence within the personal space of users, individuals tend to trust them more with personal information about their emotional state, amplified by the belief that the avatar will not share it with others as there is no real person behind it." This perception was shared among other interviewees (IP1, IP6, IP14), who also expressed comfort in sharing their feelings with virtual characters. Additionally, VIs can dynamically display a range of emotions and adapt to users' emotional states (IP3, IP14). Furthermore, IP14 noted that this unique ability, absent in HIs, can evoke specific feelings within users towards a brand, thereby further stimulating affective experiences.

VIs in the metaverse can play a significant role in enhancing the intellectual dimension. Due to their individual approximation to every user, influencers can act as personalized omniscient infotainment mediums for each user (IP2-7, IP10-13, IP15). Stimulating curiosity and effectively communicating brand ideas and values, they enrich intellectual brand experiences, aligning with the findings of Park & Lim (2023). Inspiration, as an integral part of cognition, stimulates curiosity and fuels creativity. By providing a constant stream of innovative and thought-provoking

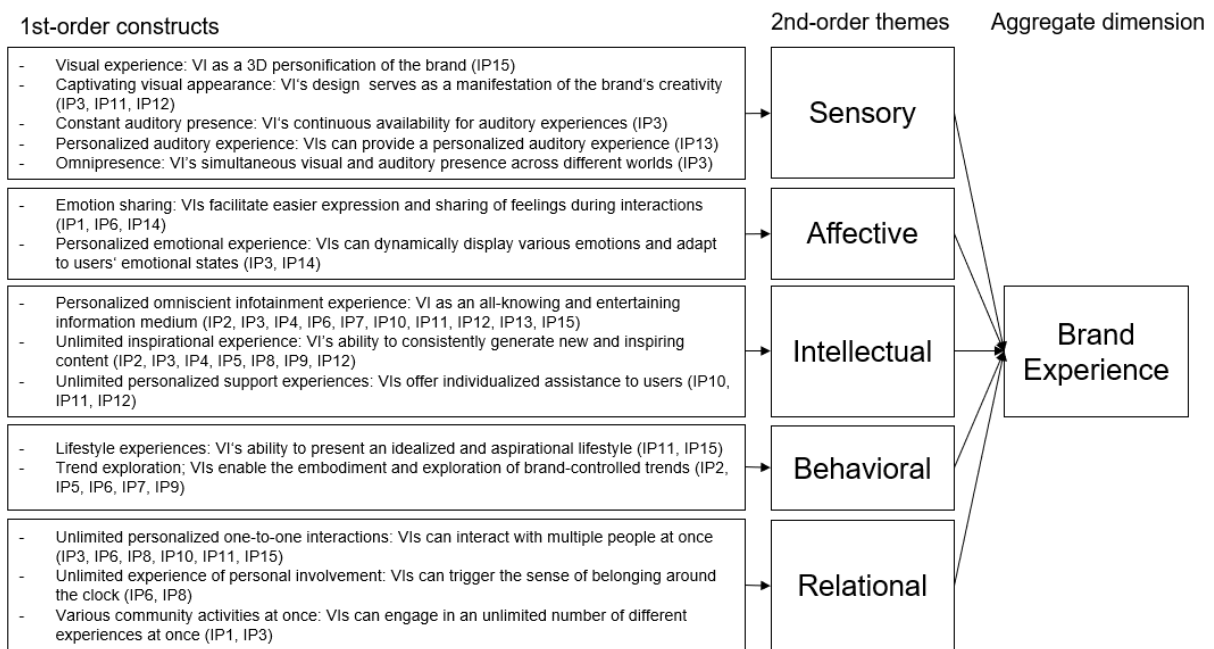


Figure 1: Brand Experience Dimensions

content, VIs can enhance intellectual brand experiences (IP2-5, IP8-9, IP12). Furthermore, VIs can offer individualized assistance to users, expanding their knowledge and engagement (IP10-12). IP10 described it followingly: “Brands can strategically utilize VIs as a form of customer support, enabling them to offer tailored recommendations, advice, and immediate practical solutions to customers' inquiries and concerns.” By engaging with VIs in private interactions, users can actively participate in problem-solving, benefit from immediate feedback, and gain a deeper understanding of the brand (Jiang et al., 2023).

Regarding the behavioral dimension, VIs allow brands to influence consumer behavior by showcasing alternative brand usage and aspirational lifestyles. By embodying an idealized and captivating way of life, VIs enable consumers to interact closely with a carefully curated representation of a desirable lifestyle under brand control (IP11, IP15). Thereon, VIs enable the embodiment and exploration of brand-controlled trends, allowing consumers to explore and adopt the brand’s ideas (IP2, IP5-7, IP9). Such behavioral experiences in virtual realities may prompt behavioral change through the adoption of alternative brand-related behaviors (Kristofferson et al., 2016).

In the metaverse, VIs excel in the relational dimension by fostering unlimited personalized one-to-one interactions (IP3, IP6, IP8, IP10-11, IP15), leveraging their capability to approximate users. Thereby VIs enable brands to ensure that each interaction feels unique, providing a sense of belonging to a brand’s community and triggering a feeling of personal involvement around the clock (IP6, IP8). Also, brands can leverage VIs to engage in endless activities like virtual brand events, creating dynamic and vibrant experiences with other fans of the brand (IP1, IP3). By virtually facilitating multifaceted relational experiences, VIs can forge meaningful connections, build thriving communities, and ensure continuous brand engagement (Park & Lim, 2023).

4.2 VIs’ Facilitating Factors for Influencing Brand Experiences

In the metaverse, specific technological challenges and opportunities arise for designing VIs, constituting what we refer to as facilitating and restricting factors. These factors influence the level of social proximity between users and VIs, which, in turn, affect brand experience.

The technological nature of VIs presents brands with a variety of advantages unparalleled in influencer marketing: VIs can be treated as long-term assets owned by a firm, as they are controlled by the brand (IP3). Therefore, the brand can better and more consciously build and promote the VI to approximate users, ultimately benefiting brand experiences (IP3). Additionally, VIs can work around the clock, interact with brand content, and deliver predefined content accurately and as intended (IP3, IP11). This aligns with the idea presented by Sands et al. (2022a) that VIs can be specifically designed to align with the brand’s desired persona segments, particularly within virtual worlds, where social approximation allows for better reception and interpretation of non-verbal and visual cues. In contrast, traditional HIs may have limitations due to their traits and beliefs (Block & Lovegrove, 2021). Drawing from her experiences in collaborating with brands, IP12 summarized these advantages as “extremely convenient for brands.”

Furthermore, VIs can disrupt the foundations of influencer marketing (Senapathi, 2022). We see that VIs can potentially disempower HIs as their differentiation dilutes. Gilbert & Forney (2015) demonstrate that 78% of participants mistakenly perceived an AI-avatar as human, likely due to the human-like form and behavior (e.g., body gestures, facial expressions) of the avatar. IP7 summarizes this significant potential for brands to leverage VIs as an alternative to HIs, emphasizing that “With VIs, brands are empowered to control the influencer and shape trends. This will likely lead to a diminishing importance of HIs”. As IP5 said, VIs are not only

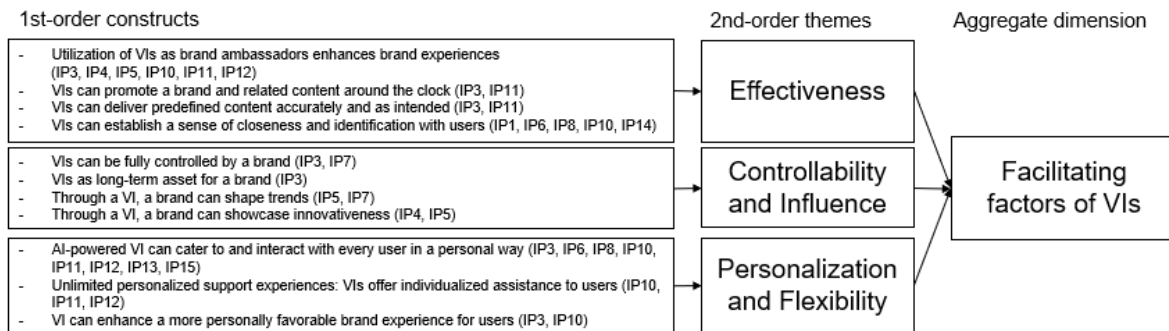


Figure 2: Facilitating Factors of VIs

portraying the brand's identity but also generating larger trends. Therefore, controlling a VI can empower brands to not only shape their brand image but also influence the entire branding industry.

While HIs often recognize the number of followers to be overwhelming to cater to all of them, the metaverse and AI provide a nurturing "playground" (IP14) to scale social interactions. VIs are not limited to interacting with a singular follower at a time as humans, but through AI can interact simultaneously with an infinite number of people (IP3, IP6, IP8, IP10-13, IP15). As AI can access and analyze follower data in real-time, the VI can interact with every person in a tailored fashion to deliver the optimal encounter to every follower making the social approximation more pleasant. This can bring the brands closer to their customers (IP10). "It is crucial for a brand to understand its community" (IP10), which can be enabled through the data collection and analysis of VIs. The literature corroborates the notion that AI plays a significant role in generating content and customizing it for influencers, allowing practitioners to know the preferences of their target audience (Panda et al., 2019). This immersive and personalized interaction facilitated by AI-controlled VIs establishes a sense of closeness and identification between the VI and the followers (IP1, IP6, IP8, IP10, IP14). IP10 summarizes: "As an influencer, you have overwhelming [social] proximity [to your followers]. I think people often overlook how closely people feel related to you and identify with your persona. And if you [as a brand] have the opportunity to control such an influencer, that is an immense opportunity." (IP10)

Lastly, before the VI interacts with a user, it can already create value for the brand. Integrating the metaverse as a new customer channel can signal innovative performance to investors (Hadi et al., 2023). Our IPs reason that users accept the social approximation of VIs (IP4-5) because VIs represent a new customer channel (Hadi et al., 2023).

4.3 VIs' Restricting Factors for Influencing Brand Experience

The metaverse is still a relatively new and evolving technology, lacking stability and standards, which poses challenges for businesses using VIs to shape their brand experience (Hennig-Thurau et al., 2022). Many still have an intrinsic aversion to this new technology and everything associated with it (e.g., VIs). This might result in a lack of acceptance of VIs (IP3, IP7, IP14-15). Lacking acceptance could be due to users not wanting the VI to approximate closely to them. IP3 feels that "currently, many people still want to speak with real people and have an inner aversion

to even just contact a synthetic avatar." IP14 further emphasizes the need for society to develop a comprehensive understanding of VIs to mitigate mistrust. A study investigating the perception of trust in HIs compared to VIs reveals that participants consistently rate HIs higher in terms of trust (Hofeditz et al., 2022). This highlights the potential skepticism associated with VIs, underscoring the importance of fostering social proximity without risking mistrust and negative experiences.

Mistrust towards VIs might not only be due to their environment but also to missing verification standards (IP3, IP6-7, IP11-13, IP14). Currently, users cannot correctly verify an influencer's identity in the metaverse. As "everybody can generate a fictional character" (IP7), the lack of regulations may generate information asymmetries about the origin of an avatar and even a toxic environment that harms human users' well-being and penetrates their safety zones. Failure to address these verification issues can have far-reaching consequences beyond mistrust. For example, VIs with unverified identities can easily disseminate misinformation or fake advertising, exploiting both their "influencer status" and the inherent trust people often place in such figures to manipulate public opinion and consumer behavior. In extreme cases, unverified avatars might also engage in criminal activities, making it difficult for authorities to trace and hold accountable the real individuals behind these avatars (IP3). The literature further underscores the importance of addressing these challenges, as reports of sexual harassment incidents in the metaverse raise concerns about avatar safety and the need for traceable authentication mechanisms (Elsharnouby et al., 2023; Yang et al., 2022). To ensure that VIs approximate to consumers in a safe way, managers and brands must proactively address these ethical and regulatory challenges.

Even if users let VIs enter their personal space and identify with them, their inherent characteristics may not always be beneficial. As the fictional characters in the metaverse are often found to propel idealized and unrealistic beauty standards, our interview participants (IP3, IP5, IP12-13) fear that this will impact especially young followers even more severely than social media in the recent past (Lal, 2022). IP12 worries that "brands can create a VI as if it has had 100 beauty operations". The metaverse empowers organizations to not only amend or redefine a natural appearance but also generate a new appearance. This makes it easier for brands to create unrealistic beauty standards (Lal, 2022), and the social proximity of VIs to users can intensify the pressure to conform to these standards (IP3, IP13). As users are shown to identify with their digital alter-ego, merging unrealistic beauty standards

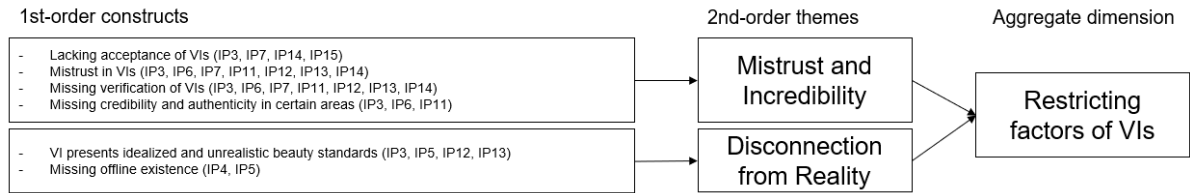


Figure 3: Restricting Factors of VIs

into their own appearance can intensify psychological pressure to emulate their digital counterpart, leading to low self-esteem and depression (Bessi re et al., 2007). Moreover, these artificially constructed beauty standards may contribute to fostering a culture of body dissatisfaction and appearance-related anxiety, especially among younger audiences who are more susceptible to external influences (Groesz et al., 2002). The proliferation of such ideals in the metaverse may further normalize these unhealthy standards, creating a cycle of body dissatisfaction that extends from the digital realm to real-life. VIs can impact people's psychological and physical health in the real world, creating an ethical imperative for developers, designers, and brands to use and design them cautiously (Lal, 2022; Sands et al., 2022a). Failing to consider the sociocultural impact of VIs can harm the relationship with their communities, undermine the brand experience, and risk reputational damage. In the absence of ethical guidelines or industry standards, brands bear social responsibility for perpetuating harmful ideals.

Furthermore, VIs' inherent characteristics also challenge brands regarding their marketing effectiveness, as highlighted by our IPs (IP3, IP6, IP11). Our interviewees especially wondered whether an unreal person in a virtual environment could credibly refer to a physical product: "I believe that the human experience makes the influencer an exciting prospect for human-centered products," said IP3. This implies a cognitive dissonance, meaning that a non-HI cannot authentically use and promote human-centered attributes. IP6 extends this view, stating that there are some areas that VIs cannot authentically master. Since VIs are digital creations, they will never use a makeup set or experience the effects of a weight loss product, raising suspicions regarding their credibility and reliability (Conti et al., 2022). This tension between the enhanced brand experience triggered by VIs and the need for authenticity poses significant challenges for brands in leveraging the potential of VIs.

Lastly, as VIs are bound by their virtual manifestation, "HIs are still needed to cater to offline events" (IP5). Consequently, the missing offline existence of VIs limit their abilities to influence all customer-brand touchpoints. Hence, all IPs agreed that

VIs should only be "one part of [a company's] marketing mix" (IP4) and a complement to HI marketing (Sands et al., 2022b). This aligns with past research, which proposes the metaverse as a complementary customer channel in harmony with existing ones (Hadi et al., 2023). By incorporating both VIs and HIs, brands can leverage the unique benefits of each approach to approximate users within the metaverse, creating superior brand experiences.

4.4 Theoretical and Practical Contributions

This study contributes to the theoretical understanding of VIs as brand ambassadors in the metaverse by exploring their impact on shaping brand experiences. Informed by MRT, this study illuminates enhanced social proximity as a key mechanism that transforms the features and activities of VIs into brand experience. By doing so, our study supports the applicability of the brand experience model proposed by Brakus et al. (2009) and Nysveen et al. (2013) in the metaverse and the realm of VIs. Furthermore, this research explores VIs' transcendent role in virtual realities as they become indistinguishable from HIs. By shedding light on VIs' growing dominance, particularly when powered by AI, enriches insights on metaverse influencer marketing. It highlights VIs' ability to reshape the influencer industry with unique benefits, such as unlimited personalized one-to-one interactions that foster social proximity.

Our results underline that the facilitating impact of VIs on brand experience is enabled by several beneficial assets of VIs that firms can control and leverage, offering enhanced precision in aligning brand values with their target audience. This enables brands to exert greater control over the brand experience, ensuring a highly curated and tailored interaction with consumers. Also, leveraging the indistinguishability of VIs from HIs allows brands to shape trends, utilize AI to scale social interactions, and foster social proximity with an infinite user number.

To fully benefit from the advantages of adopting VIs in the metaverse, brand managers must address potential restricting features of VIs that hinder users from enjoying a strong social proximity with VIs. These include intrinsic aversion, lack of verification

standards, and concerns about safety and trust. Brands are advised to establish ethical and regulatory frameworks for VIs to cultivate user acceptance. Additionally, managers must exercise caution in the design of VIs to safeguard the brand's reputation and mitigate potential adverse effects on users' well-being. Managers should recognize challenges surrounding VIs' credibility in endorsing specific products. Hence, they should consider alternative application contexts, such as customer service to deploy VIs' real-time data analysis capabilities to offer personalized solutions.

5. Limitations and Future Research

Our work has some limitations that provide implications for future research. First, our work is grounded on a qualitative approach with 15 IPs. Future research should carefully compare our results with perspectives from other relevant stakeholders, such as brand executives involved in VI creation and adoption, consumers interacting with VIs, or even users who are skeptical about VI interactions. They all could advance our understanding of VIs' facilitating and restricting factors. Furthermore, we discussed our inductive results based on two specific theories, namely brand experience and MRT. Future research should focus on substantiating our findings through quantitative empirical data, or by expanding our approach through new and relevant theoretical lenses.

6. Conclusion

We reveal that the metaverse's sensory characteristics influence users through captivating content. Thereby, brands can use VIs to teach users about their brand, change their (purchasing) behavior, and build newly defined and deeper relationships. Also, we investigated VIs' facilitating and restricting factors in the metaverse. VIs can enhance marketing effectiveness, especially through the personalization features within the metaverse, and because users cannot visually discriminate HIs and VIs. Conversely, this may undermine users' trust in known VIs, perceiving their advertisement as decoupled from reality. Moreover, ethical concerns, like unrealistic beauty standards, require careful consideration.

We contribute to theory by postulating social proximity and media richness, to assist researchers in presenting opportunities for future research. Practitioners can use our findings to draw implications for designing VIs that support the brand experience, based on their specific needs regarding key characteristics (e.g., personalization or controllability).

7. References

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