

Microsoft muscles in on first wave of the metaverse

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Microsoft has given the world a first solid hint of how its path might diverge from Facebook.

US tech giant Microsoft's \$69 billion purchase of Activision this week rocked the video game sector, but the deal may come to be remembered

as the moment the metaverse went mainstream.

The [metaverse](#) is theoretically the future of the internet, a 3D [virtual world](#) where people will be able to interact using sensors, lenses and other gadgets.

But the metaverse does not yet exist and Microsoft's use of the term to help explain the splurge did not go unquestioned.

"We will have to see how it will develop into a metaverse play, but it isn't one currently," says technology author Tom Ffiske, editor of Immersive Wire. "It's more of a strategic play within the [gaming industry](#)."

Other analysts view it as Microsoft hedging its bets with a deal that would be profitable with or without the metaverse.

Either way, the company is trailing on the coat-tails of Facebook, which changed its name to Meta last year in honour of the gold it believes it will find in the virtual hills.

Theo Tzanidis, a digital marketing academic at the University of West Scotland, says investments like Microsoft's acquisition are part of the "ripple effect" from Facebook's announcement.

With everyone playing catch up, Microsoft has given the world a first indication of how its path might diverge from Facebook.

'Bulk buying'

Microsoft mentioned "metaverse" just twice in its media statement announcing the takeover, but boss Satya Nadella was more forthcoming in a later call with investors.

"When we think about our vision for what a metaverse can be, we believe there won't be a single, centralised metaverse and there shouldn't be," Nadella said, according to several accounts in US media.

Facebook has promoted more of a borderless concept where everyone is interacting in a single space.

Differing visions aside, the two firms do not yet appear to be in direct conflict.

Tzanidis says Facebook's social media empire means it needs only to enhance this with technology, building its empire from the bottom up.

Microsoft is operating a top-down approach, "bulk buying" chunks of intellectual property and sticking them together with its existing cloud and business services empire.

"I wouldn't be surprised if a silent collaboration emerges," Tzanidis says.

The massive Activision deal also hints at the shift in thinking at Microsoft.

The US giant had earlier tagged "metaverse" on to a souped-up version of its Teams application that featured avatars.

Separately, it had also floated the idea of an "enterprise metaverse", but without elaborating.

Now the target appears to be acquiring companies that already have a "metaverse-like" offering, says Scott Kessler, an analyst at Third Bridge.

"When people talk about the first stage of the metaverse and where the opportunities are going to be, people are largely thinking about the

gaming category," he says.

"Some of Activision Blizzard's assets dovetail pretty well with... this first actual wave of the metaverse."

Lack of big fish

With Facebook firmly hitched to the mast of the metaverse and Microsoft rushing to follow suit, there is a notable silence from the other Silicon Valley giants.

Google, Amazon and Apple have—in public at least—kept their distance.

Author Ffiske suggests Amazon at least is famous for meticulous planning, and may well be working on something internally but just waiting until the time is right.

Kessler hazards that Microsoft may have timed its leap into the metaverse knowing that its rivals are hobbled by legal and regulatory challenges the world over.

That leaves an ecosystem of two giants with big visions, and many smaller niche companies.

Ffiske points to Unity and Epic, two firms whose tools are being put to use by those building 3D gaming worlds.

"All we're seeing is lots of opinions and thoughts while we have a whole bunch of engineers quietly building the foundations," he says.

"What they're building will be the foundations of what we'll be discussing next."

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