

Despite layoffs, Epic Games CEO still believes in the metaverse. But should he?

October 5 2023, by Brian Gordon, The News & Observer



Credit: Unsplash/CC0 Public Domain

Epic Games CEO Tim Sweeney imagines the future of his Cary, North

Carolina-based company will exist in the metaverse.

Sweeney has promoted the metaverse concept since at least 2015, and this spring he went further, telling an audience at the 2023 Game Developers Conference that he views it "as the next big change in gaming and in Epic's evolution as a company."

"This revolution is happening right now," he added.

Like [artificial intelligence](#) or quantum computing, the metaverse is an [emerging technology](#) that remains more defined by its potential than its current function. It is a virtual realm where users can interact—through avatars—to play games, watch movies, shop, try on outfits, attend concerts, hold business meetings or just hang out. People access this 3D world through virtual reality headsets.

Sweeney, known to be a tech ideologue, envisions a future metaverse that is open, like the internet, where different companies share the space and users freely move between their platforms.

Epic is building out its own metaverse platform through its most popular game, Fortnite, a battle royale contest set in a vibrant animated landscape. Released in 2017, Fortnite still has around 70 million monthly active users, Sweeney noted at GDC in March.

At the gaming conference, Sweeney said he wanted to expand Fortnite to "be more than a game."

Through what it calls crossover events, Epic has partnered with Nike, Ralph Lauren and several musicians to offer users new experiences. In 2020, the rapper Travis Scott performed a concert within Fortnite as an animated avatar. The YouTube video of Scott's performance has 208 million views. And singer Ed Sheeran will also perform in the world of

Fortnite.

"I think we're just seeing it emerge now, this new social entertainment medium," Sweeney told the outlet GamesBeat in late 2021. "It's a place to get together with your friends and have a good time while being entertained by a variety of different experiences."

Through its popular graphics tool Unreal Engine, Epic also allows users to create life-like human avatars, called MetaHumans, that can also exist in the metaverse.

In spring 2022, Epic raised \$1 billion each from Sony and Kirkbi, the parent company of Legos, to create a kid-friendly metaverse platform. The investment valued the private game developer, which Sweeney cofounded in 1991, at \$31.5 billion.

More metaverse layoffs

But Epic's shift to the metaverse has been expensive, and last week, the company laid off 830 employees, approximately 16% of its workforce. Epic did not share how many of the affected workers were based at its Cary headquarters.

In a memo to staff announcing the cuts, Sweeney acknowledged this decision was prompted by the cost of building out the metaverse.

"For a while now, we've been spending way more money than we earn, investing in the next evolution of Epic and growing Fortnite as a metaverse-inspired ecosystem for creators," he wrote. "I had long been optimistic that we could power through this transition without layoffs, but in retrospect I see that this was unrealistic."

Critics accused Epic, and its CEO in particular, of misdirecting its

resources toward an unproven virtual space.

"Almost every poor, money-losing decision Epic has made over the last few years can be traced back to Sweeney and his metaverse ambitions," wrote Paul Tassi, a senior contributor at Forbes.

Epic is not the only company to have made layoffs after making heavy metaverse investments.

Facebook's parent company Meta cut thousands of jobs earlier this year after investing billions into its metaverse. And just this week, Meta made additional layoffs in its metaverse silicon unit as the company is seen to be softening its commitment to the virtual space.

Companies that overpromised on the metaverse in recent years have now reduced their staff, said Janna Anderson, director of the Imagining the Internet Center at Elon University. In June, the center released an analysis on the present and future of the virtual space titled *The Metaverse in 2040*.

"It is expensive, time-consuming and often quite impossible to accelerate [technological development](#) as quickly as the public and investors would like to see it happen," Anderson said. "The companies that had dumped billions into metaverse development and their shareholders realized that by 2023, and they took a step back."

Anderson noted such pullbacks are common in the sector, as intense enthusiasm for technologies like self-driving vehicles and VR platforms are then often followed by cuts.

In a June report, Elon University found many experts who saw promise in the metaverse while others concurred with one respondent who viewed the space as "typical tech hype."

Seeking profit in the metaverse

Sweeney reaffirmed Epic's metaverse goals in his Sept. 28 layoff announcement. In the memo's last line, he assured the Triangle game developer will "get to the other side of profitability and become a leading metaverse company."

But the path to profit in the metaverse is complicated.

In March, Epic released Unreal Editor for Fortnite, which allows users to generate their own content within Fortnite and make money based on engagement. The company says it pays creators 40% of net revenue on creator content.

Sweeney said growth in creator content has resulted in "significant revenue sharing" and "a lower margin business" compared to when the traditional Fortnite Battle Royale game was growing more rapidly.

"Success with the creator ecosystem is a great achievement, but it means a major structural change to our economics," he said.

Before making job cuts, Sweeney told staff, Epic had reduced its marketing spending and scaled back hiring.

"We concluded that layoffs are the only way, and that doing them now and on this scale will stabilize our finances," he told staff.

Another financial hurdle for Epic arrived late last year when the game developer agreed to pay a record \$520 million fine to the Federal Trade Commission over complaints that the company violated children's privacy law and induced unintended purchases through deceptive designs.

Epic declined to comment on how it planned to make its metaverse profitable, but it did provide The News & Observer with background information on its overall metaverse goals. Meta, which earlier this year confirmed it had a small office in Durham, declined to speak about its metaverse efforts.

In March, Sweeney told the crowd at GDC that "Epic is all in" on the [metaverse](#). He then predicted expanding this open virtual world will take his [company](#) most of the decade to complete.

2023 The News & Observer. Distributed at Tribune Content Agency, LLC.

Citation: Despite layoffs, Epic Games CEO still believes in the metaverse. But should he? (2023, October 5) retrieved 11 May 2024 from <https://techxplore.com/news/2023-10-layoffs-epic-games-ceo-believes.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--