

Roblox soars in Q4, but the metaverse's advertising potential is cooling down

Article

The news: Roblox struggled through much of 2022 as metaverse hype faded, but it showed signs of reversing its fortunes in the fourth quarter.

- Bookings (revenues) were up 17% to \$899.4 million, markedly above analyst expectations.
- Daily active users rose 19% year over year to 58.8 million. Users also spent 18% more time on the platform YoY.

Expanding the brand: Roblox’s painful 2022 was largely due to a failure to expand its user base beyond children. Its reputation as a children’s video game propelled it to success during the pandemic but also invited repeated controversies.

- Its answer to those problems has been to expand to new regions and attract players of all ages. In Q3, 46% of Roblox users identified as under 13 years old.
- In Q4, the number of users ages 17 to 24 grew **31% YoY**, accounting for **22% of all users**. The demographic also performed well in bookings and time spent. Growth in foreign markets was also strong, with European users increasing 24% and APAC users up 21%.
- One area that didn’t outperform expectations was advertising. In September, Roblox announced the launch of “immersive ads,” allowing brands and users alike to use the in-game currency “Robux” to place billboards and branded items across Roblox “experiences”—but Roblox said advertising made up “an insignificant amount” of its bookings.

Select Companies that US Adults Most Associate with the Metaverse, by Age, Jan 2022

% of respondents in each group

| | 18-34 | 35-54 | 55+ | Total |
|--------------------------|-------|-------|-----|-------|
| Meta (formerly Facebook) | 47% | 48% | 41% | 45% |
| Google | 28% | 21% | 19% | 22% |
| Oculus | 23% | 19% | 15% | 19% |
| Microsoft | 18% | 19% | 16% | 18% |
| YouTube | 26% | 18% | 11% | 17% |
| Amazon | 21% | 18% | 10% | 16% |
| PlayStation | 22% | 14% | 10% | 15% |
| TikTok | 21% | 14% | 12% | 15% |
| Apple | 17% | 15% | 12% | 15% |
| Roblox | 17% | 13% | 6% | 11% |
| Snapchat | 17% | 12% | 7% | 11% |
| Epic Games | 15% | 10% | 7% | 10% |

Note: ages 18+; select companies shown
Source: Ipsos as cited in press release, Jan 24, 2022

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How does the metaverse fit into advertising? Roblox managed to emerge from a difficult year in a relatively healthy position, but much of the hype around the “metaverse” has cooled

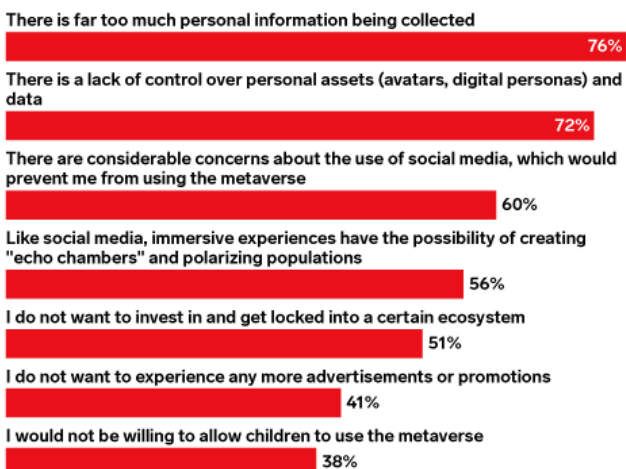
significantly among investors and advertisers. And with the ad market in uncertain territory, interest may not pick back up anytime soon.

- Metaverse projects from major companies like **Meta** and **Microsoft** have been put on the backburner to repair leaks elsewhere in the business or invest in buzzier technologies like artificial intelligence. For now, Roblox and rival **Fortnite** remain the two dominant “metaverse” platforms.
- While there are examples of extremely successful brand activations across both (like Roblox’s **Spotify Island**), the pace of new campaigns has slowed dramatically thanks to rising interest rates and technological barriers that make advertisers hesitant.
- The main factor drawing brands to Roblox is the access to a highly engaged, young user base —something unique that it could lose as it shifts focus to a broader player base. For brands seeking inroads with the next generation of consumers, it’s an indispensable platform, but one that’s hard to break into.

Our take: Roblox may have performed well in Q4, but its (and the metaverse’s) place in the advertising world is more uncertain than ever. Though optimism is picking up about the ad industry’s outlook, shifts in loyalty mean that launching a costly one-time Roblox activation may be far down on advertisers’ list of priorities.

Barriers to Using the Metaverse According to Internet Users Worldwide, Aug 2022

% of respondents



Note: ages 18+

Source: Capgemini Research Institute, "Total Immersion: How Immersive Experiences and the Metaverse Benefit Customer Experience and Operations," Dec 8, 2022

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