



THE METAVERSE: A NEW AGE BANKING

Abstract

With each wave of digitalization, the banking industry has been presented with significant opportunities to improve banking services and products, with a focus on enhancing customer experience. This paper discusses the emergence of Metaverse banking - a new wave of digitalization that offers a personalized, more interactive virtual banking experience. It explores what the future of banking is going to look like with the introduction of Metaverse and the benefits that financial institutions stand to gain from it.

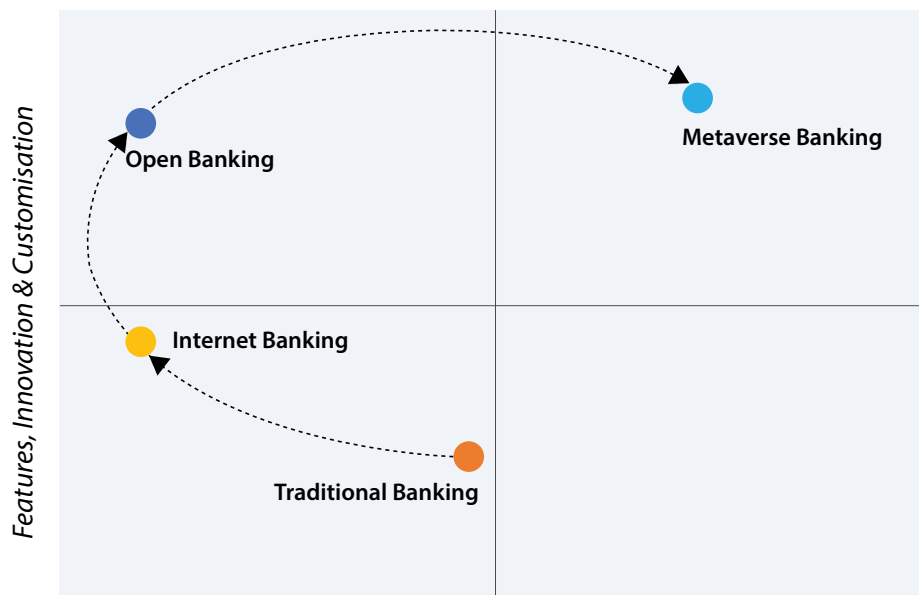


Introduction

With every wave of digitalization, the banking industry has seen significant opportunities to enhance banking services

and products, with a focus on improving customer experience. In 15 years, banking transitioned from being a branch-based

service provider to offering nearly 100% of its services through the Internet.



Emotion/Empathy/Interactions - The Branch Experience

Figure 1 The evolution of banking

After all the digitization and adoption, it is fair to say that banks, in their current form, have reached maximum potential in terms of functionalities and features but have significantly lost in terms of interactions, human touch, and emotions.

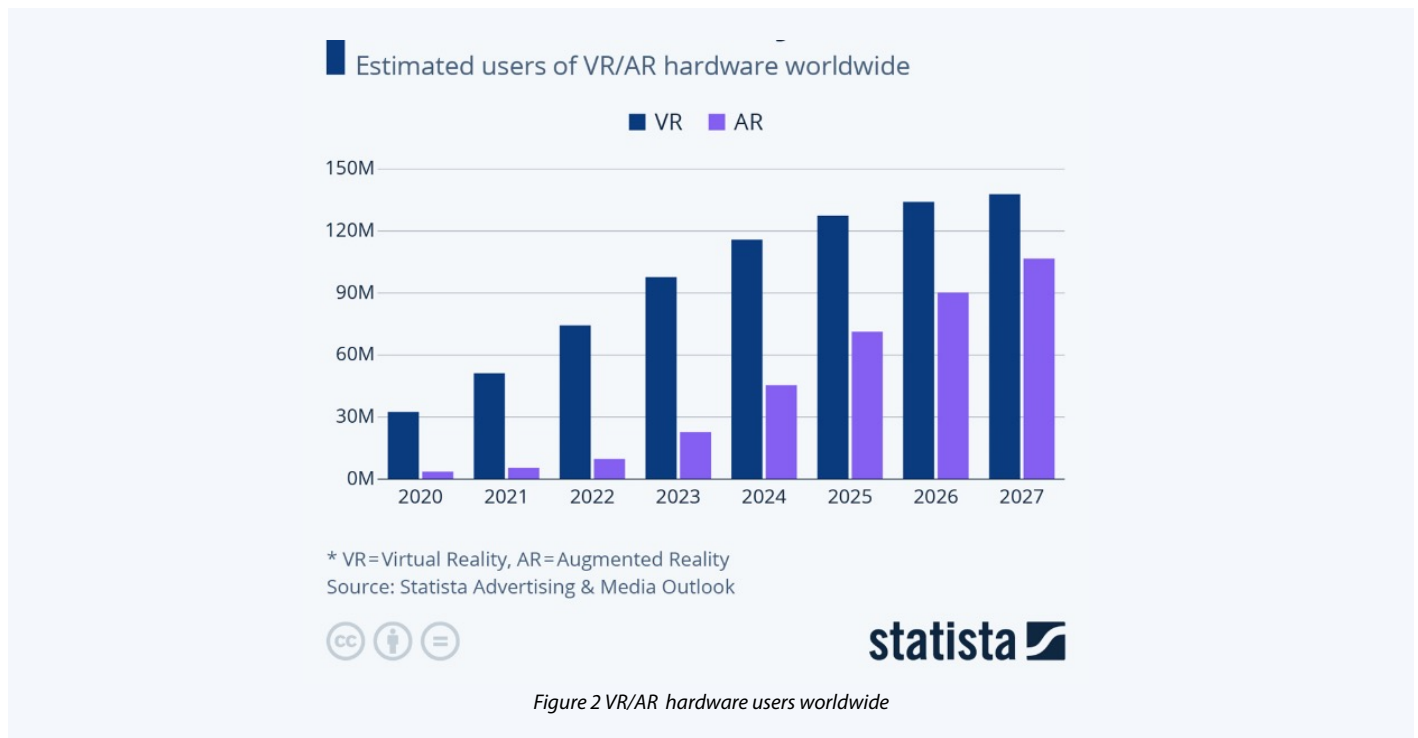
The next generation of customers is a completely different group; their modes of engagement, and spending patterns are entirely digital and unconventional. They belong to the TikTok generation and expect a similar experience and enjoyment

from their banking services. For banks to stay updated and relevant for such a generation won't be an easy task. They will need to rethink how banking can be made entertaining, fun, and personalized while leveraging the latest digital assets prevalent at that time.

Imagine yourself as a digital avatar interacting with a banker in their digital avatar on a virtual reality platform. Picture yourself handling your banking requirements, paying bills, using an ATM to

withdraw digital currency, and much more, but in a more personalized form. This is Metaverse Banking!

However, the question remains: Is there a market for this? According to Statista's recent data on VR/AR usage, there is a steady increase in VR headset users, which is expected to double by 2027. This suggests that banks have an opportunity to expand their operations by offering a digital experience unaffected by time zone differences, geographies, or regulations.



Early adopters

The banks that have adopted Metaverse banking are still exploring and finding ground, however, some banks have already leapt:

- JP Morgan has opened a lounge named Onyx Lounge in Decentraland. The lounge displays a virtual version of Tokyo's Harajuku shopping district, with a tiger roaming the first floor,
- overlooked by a portrait of the bank's boss, Jamie Dimon. On the second floor, a person's avatar can watch experts discussing the crypto market.¹
- HSBC has acquired a plot of land in The Sandbox Metaverse to be developed for engaging and connecting with sports and gaming enthusiasts, creating an innovative brand experience.²
- BNP Paribas has launched a virtual bank for its customers to access account information.³
- Standard Chartered has also acquired land in The Sandbox, to be used for experimenting and creating new experiences for clients on the Metaverse.⁴

¹<https://www.jpmorgan.com/content/dam/jpm/treasury-services/documents/opportunities-in-the-metaverse.pdf>

²<https://www.privatebanking.hsbc.com/wih/investments-Insights/market-update/metaverse-a-new-world-of-opportunities/>

³<https://www.realestate.bnpparibas.co.uk/first-steps-taken-metaverse-wired>

⁴<https://www.sc.com/en/media/press-release/weve-partnered-with-the-sandbox-to-create-metaverse-experience/>



Benefits to financial institutions

The big question is what will banks gain from this and the kind of value customers will derive from Metaverse banking. Here are a few examples:

• Banking Services

- Services that could be provided by financial institutions in the digital world are limitless – bill payments to withdrawing digital money from ATMs, investing in the stock market and mutual funds after discussing with a relationship manager, assessing affordability on the mortgage, making deposits, accessing account information, service request resolutions like changing address, submitting documents etc., are few of the many possibilities.

• Personalized Interactions

- While Internet banking has evolved to be fully feature-rich and hardly

requires customers to visit a branch, human interaction has been absent. This doesn't meet the requirements of customers who seek services tailored to their needs with customizations. This will be possible with Metaverse now.

- Borderless banking will get real. A US bank could have a relationship manager from Europe speaking to a customer from India through the Metaverse.

• Newer revenue opportunities

- With the evolution of digital currencies and the continuously expanding near field communication (NFC) community, customers are now acquiring virtual assets using real money. Soon, people will desire to purchase real assets using virtual money. Banks will experience a further long-term reduction in their infrastructure costs when bankers can communicate anytime, anywhere.

- By integrating the Metaverse with models such as open banking and account aggregation, envision your customers withdrawing digital money from your ATM and using that currency to shop at the virtual mall next door with your third-party partner. The possibilities are limitless.

• Newer marketing opportunities

- Financial Institutions that lead in this space will get the first-mover advantage. It will lead to a strong brand recall for existing as well as prospective customers. It will also allow banks to position their products to the intended customer group faster than others.

• Employee Experience

- Simulation-based learning and best practice sharing to deliver empathetic services to their customers.

Way forward

Digital Strategy, data security, enabling technology, user experience, digital assets, risk management, and unclear regulations are a few critical areas financial institutions must carefully consider for implementation. This is in addition to preparing banking services for the Metaverse.

A good initial step for banks would be to concentrate on developing Metaverse services while engaging with service providers who possess expertise in both the domain and the virtual world. Such engagement would allow banks to focus on customers' digital needs, while other areas can be managed by service providers with a working knowledge of integrating virtual and real banking using the right technologies to create the required architecture.

Analytics will also play a significant role in the journey towards Metaverse dominance, with a focus on understanding customers' needs, how are they using their avatars, which services they use more, and where they use their digital currency. All of this will define the next stages of Metaverse evolution.

In conclusion, in the Metaverse, banking will take on an entirely different meaning. The question is, who will get there first?



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