

Banking & Financial Services

# Business as Usual in the Metaverse

Three ways banks can generate business value

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# Why the metaverse? It's where banks can deliver the connected, immersive experiences in personal finance that young consumers are looking for.

The question on the minds of many banking leaders is whether virtual worlds present real business opportunities. The answer is a definitive, and occasionally surprising, **yes**.

That's because the metaverse—the virtual worlds in which we work, socialize and shop through avatars—represents a continuation of the laser-like focus on customer experience that's been a priority for banks.

The metaverse might function on different platforms and with different processes and currencies than the physical world does—but what doesn't differ is its intense focus on creating a powerful, memorable and personal customer experience.

Pilots are already underway for connected, immersive experiences in areas such as 3D banking and personalized virtual banking. Not far off are innovative payment platforms and decentralized autonomous organizations, or DAOs.



# Why banking is a natural for the metaverse

Banking and the metaverse may seem unlikely allies. After all, banking is a conservative, heavily regulated industry, and the metaverse's virtual worlds are in their earliest stages.

Yet banking is close behind the earliest entrants to the metaverse, such as gaming providers and retailers. In some ways, banking is an even more obvious participant. For one thing, virtual worlds require virtual currencies, making finance as essential to metaverse-driven commerce as it is in the physical world.

For another, delivering financial services through Web3—the decentralized internet owned by communities of users and coordinated through mechanisms such as tokens and **non-fungible tokens (NFTs)**—is a natural way to meet the needs of young consumers primed for interactive experiences.

Consider that millennials, who led the way in **disrupting personal finance** through mobile banking, now have a **greater awareness** of the metaverse than their younger counterparts. They take their money seriously—**75% report they work with a professional financial advisor**—and Gen Z isn't far behind. Among those ages 18 to 24, **70% check their finances daily**. They're likely to follow "**fin-fluencers**" on

platforms such as Discord, Reddit and Instagram. **Forty one percent have sought financial advice on TikTok.** (Yes, "**FinTok**" is real.)

But it's tomorrow's customers that banks are really preparing for. Generation Alpha is the newest member of the family unit, the children of millennials and the siblings of Gen Z. **Gen Alpha's oldest members were born in 2010—the same year as the iPad**—and they're the first generation born entirely within the 21st century.

For the under-12 set, it's possible that banking's business-as-usual will likely be exclusively in virtual worlds.

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## Tapping new markets and customers

The metaverse is an inevitability, and it's essential for banks to prepare the foundation and capabilities to be ready for when it ultimately explodes into reality. Think of telehealth—because health providers had everything in place technology-wise, the switch could be flipped immediately when the world suddenly needed it during the pandemic. Banks should heed that dynamic and take it as a call-to-action to be ready for the metaverse.

The good news for payment providers and retail and commercial banks is that there are no obstacles preventing them from

getting metaverse-ready. By building the infrastructure to support a holistic view of customers' accounts (both fiat and digital), banks can prepare their organizations for the connected, immersive experiences customers will be looking for.

Integration between digital assets and mainstream finance is at the heart of banks' ability to tap new markets and customers—and it's gaining a foothold among young consumers and institutions alike. One in five Americans has invested in, traded or used digital assets. More consumers aged 13 to 39 have invested in cryptocurrencies and NFTs than in stocks. And Wells Fargo pointed out in a recent note that while

crypto's role in the financial ecosystem is still up for debate, widescale adoption of crypto and blockchain products is underway at some of the largest global institutions.

Within banks' IT and process infrastructures, integration is a safe way to begin tapping new markets and opening the door to the connected experience consumers are looking for. With integration, banks and their customers take another step away from physical branches and 2D online banking and closer to personalized virtual banking that connects one-on-one.



# Three starting points for banking in the metaverse

In the following pages, we highlight three customer experiences banks can begin readying for delivery—and business value—in the metaverse.

**Experience 1:** 3D banking

**Experience 2:** Personalized virtual banking

**Experience 3:** Decentralized autonomous organizations

Experience 1

# 3D banking: A new form factor





3D banking is the natural next step for retail banks—a new customer channel with an augmented reality-based, interactive CX.

Retail banking has evolved by leaps and bounds over the past two years. The mobile phone has become our bank, with people using their smartphones for everything from balance inquiries and transactions to payments.

Now, 3D banking is the natural next step for retail banks. It represents more of a change in form factor than a dramatic departure from traditional banking—a new customer channel that involves an augmented reality-based, interactive CX.

For example, we're partnering with a commercial bank that's setting up a learning zone in the metaverse, bringing its core services together for customers with its ecosystem of partners, including investment firms.

The bank is also establishing virtual onboarding for employees through its metaverse location. The metaverse onboarding takes the new normal of remote work collaboration one step further, providing trainers and employees with a way to gather and virtually bridge the social distance many still feel with on-screen videoconferencing tools.



Experience 2

# The white-glove experience of personalized virtual banking



## Metaverse banking's combination of personalization and community puts a fresh, modern spin on CX, and it's an especially powerful draw for young banking consumers.

The metaverse lets banks roll out the virtual red carpet for customers, with tailored experiences for specific segments and personas. Personalized virtual banking enables that special something that leaves customers feeling valued.

Within a metaverse branch, retail and commercial banks can create virtual rooms in which avatars of relationship managers and customer advisors work one-on-one with high-net-worth individuals, for instance. They might also provide services to individuals looking to create a college fund, or businesses interested in obtaining loans.

Without the footprint constraints of physical real estate, banks can service unlimited customers and their needs in new ways, such as hosting sessions for people shopping for mortgages or educational financing or for those interested in learning investment basics. Start-up businesses in need of financing can gather in a room with prospective investors.

Metaverse banking's combination of personalization and community puts a fresh, modern spin on CX, and it's an especially powerful draw for young banking consumers who are critical to the future of banking. Gen Z has grown up on

smartphones, and now it's entering the workforce in droves. Its members crave the social and networking aspects of financial services that **make investing a fun, recreational activity**. The metaverse opens the door to meeting that expectation in ways the physical world can't match.

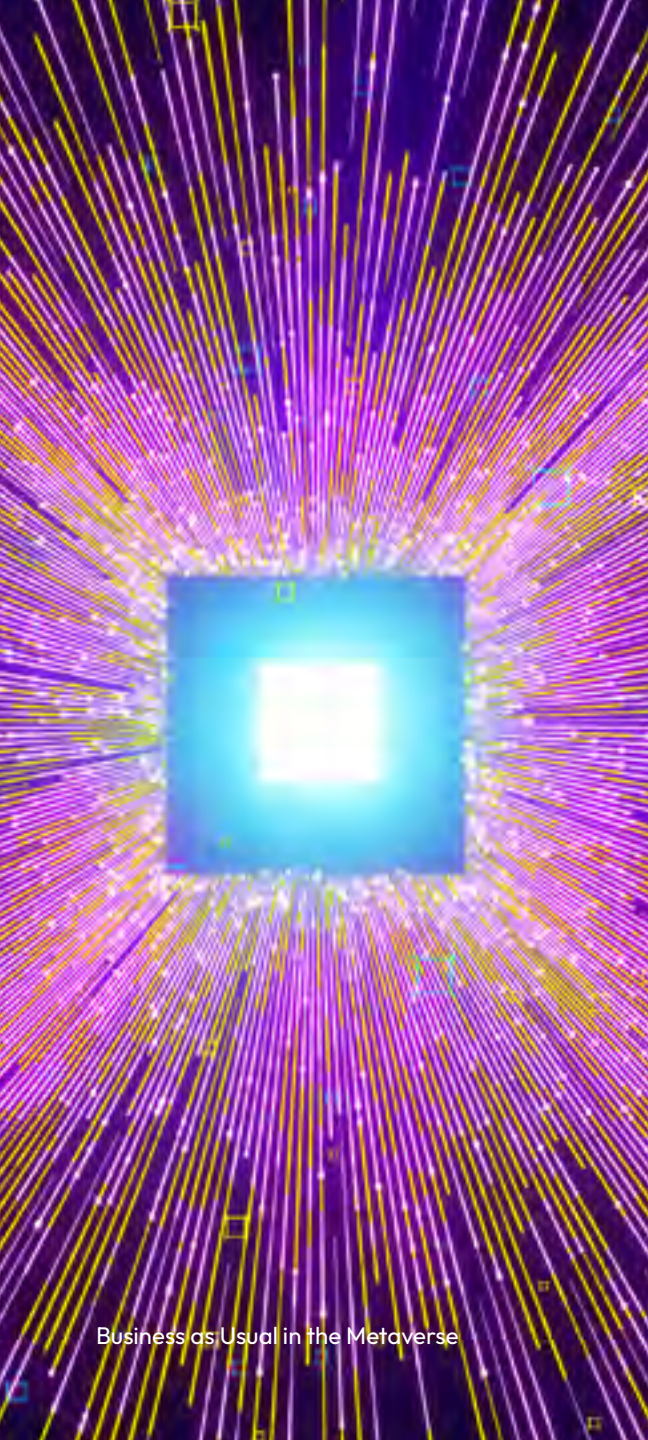


Experience 3

# DAOs\* and the potential for new lines of business







Every banking leader wants to explore the possibilities for new lines of business in the metaverse. Enter the decentralized autonomous organization, or DAO. These collectives are blockchain-based digital organizations that are governed by their members rather than a central authority. Activities and decisions are completely transparent and accessible via blockchain, and rules are enforced through smart contracts. DAOs are like crowdsourcing groups but with the clout of financial resources and investment.

DAOs are growing in number across all industries. The popular platform [Decentraland](#) is a DAO. So is [VitaDAO](#), which focuses on funding and advancing longevity research. The recently launched production studio [Story DAO](#) exists entirely on the [Ethereum](#) blockchain and could

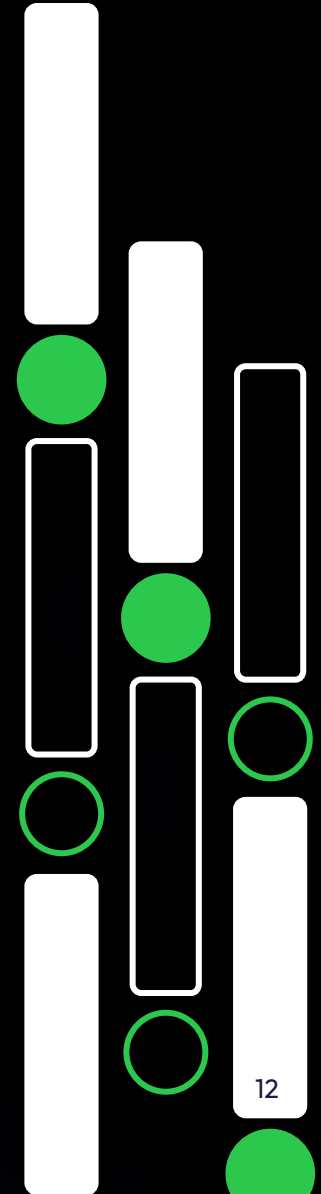
reshape how Hollywood develops and finances content, according to [Axios](#).

In banking, DAOs offer the potential to create similar communities and marketplaces. Banks can drive a marketplace approach for their partner ecosystem, providing an opportunity to offer their products and services.

With a DAO, banks become a medium to make things happen—and to earn money on each transaction. And because the decentralized metaverse runs on Web3, every transaction is registered and recorded on a blockchain. Security and provenance are guaranteed.

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# Overcoming metaverse challenges





Unlike the internet, the metaverse is still in development when it comes to standards, regulations, technology challenges and platform capacity. These challenges should not hold back banks and financial services organizations from moving forward, however.

Already we're seeing the tech industry mobilize to advance the build-out of virtual worlds. Major players including Meta, Microsoft and Epic Games are among the founding members of the **Metaverse Standards Forum** that launched in June 2022 and will focus on interoperability.

Given the sizable younger demographic that is always connected, we advise banks to start building their presence in some of the more popular metaverses and engage with this demographic through 3D banking, personalized services and DAOs.

## Four top challenges



### Lack of standards.

Among the multiple platforms and virtual worlds that make up the metaverse, standards are still evolving for file formats and interoperability.



### No regulatory clarity,

including definition of digital assets. This could expose brands to privacy, reputational, data security and legal risks.

Regulations are bound to catch up as metaverse activity increases.



### Need for specialized hardware. Sales of AR/VR headsets have been

underwhelming, and consumer AR is still largely the domain of smartphones and tablets. For the metaverse to become a consumer success, **headsets will need improved cameras, batteries and displays.**

Banks should start with applications that are “hardware-light,” and add on to these experiences as the hardware evolves.



### Existing platforms' limited capacity

to support complexity in design and interactions.

The platforms, however, are maturing quickly, and as banks gain a foothold, the platforms are bound to catch up.

# Ready your bank to deliver connected, immersive experiences

Much remains unknown about how virtual worlds will evolve. Yet even amid global inflation and monetary tightening in the US, **integration between digital currency and mainstream finance continues to grow**. Sixty percent of central banks are **pursuing their own versions of digital currency**.

Concerns still ripple through the industry that virtual worlds are shiny new objects rather than business opportunities. We get that. The metaverse is nascent.

But if there's any lesson that banking and financial services have learned in the last two years it's that they need to be resilient and ready for change.

The metaverse is that change. It's where banks will deliver the connected, immersive experiences young customers are looking for, especially for retail/commercial banks and the payments industry.



## About the author



Chander Damodaran, CTO, Brillio. I'm a problem solver and evangelist, focused on applying the right mix of business and technical competency to solve large business problems. I thrive on fuzziness and am passionate about defining the blueprint for digital transformation, with clear outcomes and elevated experiences for my customers. I have the ability to inspire teams to work toward common goals and accomplish desired results. I have over 22 years of diversified technical experience in architecting, solutioning, innovation and product development.

In my current role, I lead the innovation and establish the engineering mindset within Brillio. I have a Computer Science Engineering degree from The Bangalore University and am a member of the Forbes Technology Council.



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