

Visa Consulting & Analytics

The long game: why the
metaverse matters



The metaverse: too big to ignore

While it is still early days, the metaverse is here and it could represent the next most transformative opportunity in everyday life.

Its impact will most likely traverse industries and functions including banking, retail, commerce, payments, entertainment, social, branding, customer experiences and more.

We are at the beginning of a paradigm shift in how consumers engage and interact with new technologies in their everyday life, much as with the advent of the telephone or the World Wide Web. This transition to a new Web3 era will have cultural, commercial, and technological reverberations as it opens new experiences, which in turn will drive new consumer behaviours, leading to disruptive business models.

Fledgling forms of the metaverse have existed in some way for the last twenty years, primarily contained within separate virtual world-based games. However, led by technological giants – such as Meta, Microsoft and Nvidia – investing billions into their metaverse business units, the concept has proliferated lately into everyday sectors such as retail, fashion, and sports.

The maturing of related technology, such as blockchain, digital assets, augmented reality (AR) and virtual reality (VR), have helped the development and adoption of the metaverse.

Certain demographics, especially younger consumer groups who are adept at video games, are more likely to engage in the metaverse, and are already increasingly demanding virtual spaces for shopping, socialising, and engaging with brands.

However, challenges remain. The overall complexity of the technological solutions to enable the metaverse and unstable macroeconomic conditions are impacting development timescales. Consumer appetite is relatively limited to younger customer segments and remains most pronounced in niche sectors such as gaming and retail. In addition, infrastructure and regulation are still being defined. As the younger customer segments mature in age and purchasing power, the demand for seamless virtual experiences will become entrenched. Companies who develop metaverse strategies early have a chance to influence the future of the metaverse in its nascent stages, rather than joining later in spaces created by others.

In this paper, Visa Consulting & Analytics (VCA) outlines the opportunities and challenges that the metaverse presents for financial institutions and how to best prepare to succeed in this exciting potential new frontier.



We're seeing a material shift in our clients' mindsets on the opportunity presented by the metaverse. By beginning to explore and experiment now, they will be in a stronger position to act quicker and operate in this new world. Those who do not get involved in shaping the metaverse in these defining days, will risk playing in a new reality that has been created by others.

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What is the metaverse?

The metaverse is a simulated digital environment that uses AR, VR and blockchain, along with concepts from social media, to create spaces for powerful user interaction mimicking the real world. It is essentially a seamless extension of our physical lives into virtual, digitally rendered worlds in which we can do, in essence, most of the activities we undertake in our physical lives, such as play, work, learn and socialise.

Defining what the metaverse is continues to be the source of debate. It is useful to start by clarifying some common misconceptions. The following three concepts are often equated to the metaverse, but all of them are components of it:

Virtual reality. Millions of users have been experiencing virtual reality (VR) using headsets for years. VR is the leading way to interact within the metaverse, but not the only one

User-generated virtual platforms. The metaverse contains many such platforms. Users will be able to create their own spaces and experiences within the metaverse, even without advanced technical skills

Video games. Video games are temporary, unintegrated, and purpose specific. They are just one of the activities to which users will have access in the metaverse. Recent popularity in massively multiplayer online games (MMOG) such as Fortnite have brought video games closer to what the metaverse can be.

The metaverse is the result of the accumulation of technological change over a series of revolutions, starting with the electric networks and culminating with a decentralised World Wide Web, known as Web3. In that sense, the metaverse is a paradigm shift that will move us from the mobile, socially-enabled Web2 to the enhanced and decentralised Web3.

Origins of the metaverse: a succession of revolutions

Electric networks

The invention of electric networks and the telephone during the Industrial Revolution enabled the world to be connected for the first time in history, changing the way we socialised, travelled, and invested

World Wide Web

The arrival of the World Wide Web vastly increased quality and quantity of information that could be shared globally

Social and mobile

Smartphone adoption and the platform economy meant that we could remain connected on the go

Decentralised networks

A smarter, decentralised version of the web which will focus on ownership, for example, being able to own and trade digital assets

Components of the metaverse

There are three key components to the metaverse:

Content

Users can create immersive experiences for the metaverse, such as games, concerts, brand experiences. Physical and digital – ‘Phygital’ – takes a new dimension in the metaverse, with experiences often blurring the boundaries of the real and the virtual. And ownership of content by the users is the norm supported by decentralisation.



Platform

Platforms act as a conduit between users and the metaverse, enabling users to interact with content. Some of the best known include Fortnite and Roblox.



Infrastructure

This is the foundation that enables the platforms and the content, as well as user consumption. The infrastructure includes the hardware (e.g., headsets, graphic cards), software (e.g., games, blockchains, AR and VR software) and the economic systems that underpin transactions. Visa forecasts a ten-fold increase in VR headsets over the next 10 years



Adoption and success of the metaverse is closely linked to the development of a number of technologies, including:

Blockchain

Blockchain is a key enabler of the metaverse. Proof of ownership and transaction of digital assets will be central to commerce in the metaverse, and therefore a trusted, secure digital ledger of transactions will be essential. This is what a blockchain is. Unlike a traditional database, blockchain data entries cannot be edited; all activity is transparent and therefore helps build trust and security for all users.

There is industry-wide consensus that the software part of the metaverse must be based on blockchain technology due to its innate features on security, trust, decentralisation, and smart contracts.

Web3

Web3 has been described as ‘Read-Write-Own’, building the ownership of digital assets and property on the top of Web2’s simple ‘Read-Write’ capabilities. Individuals can now have a say over how their part of the metaverse is run, which is a major departure from Web2, where activity is controlled by a small number of big companies. In Web3, for example, gamers and coders can collaborate on how to run games.

Interactive technologies

The gateway to the metaverse for users will be via VR or AR headsets or glasses, so we will see more innovation, more choice and lower price points in coming years, making the metaverse more accessible. We can also expect more development around haptic (sense of touch) technologies, opening up the potential for even more interactive experiences.

The metaverse is primarily a play for Gen Z users and beyond

The first members of Generation Z were born in 1996, the same year in which the first version of Pokemon was released – the highly successful role-playing game that set the standard for Sandbox, open-world, virtual worlds, in the palm of your hand.

Defined as those born between 1996 and 2002, it is forecasted that the Gen Z population will reach 1.7 billion by the time all members are considered in the labour force (over the age of 15)¹. This generation will be the first digitally native group in history, meaning that their expectations for digital capabilities across all areas of life will be completely different. They have been defined by the roles technology and the internet have played in their entire lives – and how they use it to work, connect, shop, and play.

If the metaverse is to achieve high levels of user adoption in the future, the keenest advocates of the technology will be Gen Z and younger segments, notably as they enter the workforce and gain financial independence and purchasing power. These younger segments are increasingly engaging with online platforms that include metaverse elements that this generation values, for example:

- **Immersive social experiences.** Users find that virtual worlds are a key draw for searching for intimate connections
- **Experimenting with identity.** Gen Z users are seeking opportunities to experiment with ideas such as representation and aspiration – digital avatars empower them to feel freer to do so, without the limitations of the physical world
- **An escape from a rapidly changing world.** The past five years has seen increasing levels of instability and disruptions. Social unrest and the pandemic have pushed younger users into the metaverse as a release from the uncertainties of the physical world.



¹ Visa Business and Economic Insights, UN World Population Prospects 2021 <https://usa.visa.com/dam/VCOM/regional/na/us/partner-with-us/economic-insights/documents/global-economic-insight-gen-z.pdf>

The metaverse is here and examples exist already across industries

Current

Finance

South Korea's KB Bank launched its KB Metaverse Branch¹ in which customers can interact with an employee avatar to receive help with queries

Accenture² is using a purpose-built virtual Nth Floor to onboard and train 150,000 new joiners

CaixaBank³ launched its imaginLAND space in the metaverse to share innovative and immersive content

HSBC⁴ has a virtual plot in The Sandbox to engage with customers

Retail

Roblox⁵ users who play within the Chipotle virtual branch can earn 'Burrito Bucks' for redemption in physical outlets

Entertainment

Artists including Ariana Grande, David Guetta, Ed Sheeran and Justin Bieber have all performed concerts within the metaverse. One Travis Scott concert, hosted in Fortnite, attracted more than 12 million virtual attendees⁶

eCommerce

UK-based payments company Sokin⁷ plans to launch its own metaverse ecommerce community

Future

Finance

Banks will offer and package virtual loans, in digital currencies, that will be collateralised by another digital asset

Business

Virtual trade shows, or conferences, will be attended by thousands of attendees - in avatar form - from the comfort of one's living room

Business meetings and conferences could be conducted in the metaverse, reducing the need to travel

Manufacturing

Boeing says it wants to design its next aeroplane in the metaverse

Entertainment

Football fans will be able to virtually visit a stadium and watch a replicated, digitalised version of the physical match from their home

Healthcare

Health professionals could collaborate on patient cases and provide consultancy in the metaverse

Travel and Tourism

Several 'virtual' experiences already exist, but we can expect to see a greater expansion of offerings to give tourists a 'taster' or offer an experience in place of the real thing

1 <https://www.forbes.com/sites/michaelabbott/2022/09/14/fools-gold-or-bullion-the-metaverse-has-got-banks-thinking-about-a-radically-different-future/?sh=72f73edbb1bcf>

2 <https://www.accenture.com/us-en/blogs/how-accenture-does-it/are-you-ready-for-close-encounters-of-the-virtual-kind>

3 https://www.caixabank.com/comunicacion/noticia/imagin-launches-imaginland-its-space-in-the-metaverse_en.html?id=43446

4 <https://www.coindesk.com/business/2022/03/16/hsbc-enters-the-metaverse-through-partnership-with-the-sandbox/>

5 <https://www.gamespot.com/articles/roblox-adds-burrito-builder-game-with-chipotle-lets-you-get-burritos-in-real-life/1100-6502284/>

6 <https://www.theverge.com/2020/4/23/21233946/travis-scott-fortnite-concert-astronomical-record-breaking-player-count>

7 <https://www.pymnts.com/metaverse/2022/sokin-launching-ecommerce-metaverse-world/>

The metaverse will be a significant, monetisable opportunity

Many market participants agree that there is a significant opportunity in the metaverse when it reaches its full potential. Research from Citi in 2022 estimates that value of the metaverse economy could reach between \$8 trillion and \$13 trillion by 2030¹. So, in which areas do we foresee growth?

The metaverse will likely increase spend and investment levels in a number of areas:

1. **Digital assets and virtual goods:** Including the development of new digital assets and the increase in spend on different forms of digital assets and virtual goods across Web3 wallets. This will include goods for exclusive use in the digital realm.
2. **Metaverse-originated physical sales:** The 'phygital approach' describes how physical goods will be sold within the metaverse for delivery in the real world. For example, people can explore Dyson's VR store to understand which hairdryer is best for their hair type and order one of them for delivery to their home address.
3. **Tech hardware sales:** We can expect to see a rise in the adoption of VR, AR, and mixed reality (MR) devices, such as headsets, glasses, gloves. Apple is expected to enter the metaverse hardware space next year. IDC expects global spend on AR/VR host devices and tethered head-mounted displays (HMDs) to see compound annual growth rates (CAGR) of 60% and 58% respectively².
4. **Tech infrastructure investment:** The metaverse relies on strong internet infrastructure and servers to perform to its potential.
5. **Startup funding:** With so much innovation yet to be uncovered, there is a significant opportunity for venture capitalists and private equity firms looking to back innovators with a sound business proposition for a metaverse-based solution.



\$8-13 trillion

Forecasted value of
the metaverse
economy by 2030¹



1 <https://www.barrons.com/articles/metaverse-web3-internet-virtual-reality-gaming-nvidia-51648744930#:~:text=The%20metaverse%20economy%20could%20be,and%20applications%20in%20virtual%20reality>

2 <https://www.idc.com/getdoc.jsp?containerId=prUS49916122>

What the metaverse means for financial services

To remain relevant and competitive in an environment where people and businesses are conducting transactions in both the virtual and physical worlds, financial institutions need to prepare to provide financial services to the real world, to the virtual world, and to the intersection of both.

From higher to lower maturity, examples of the metaverse in financial services currently fall into three areas:

1. User experience and customer support – for example, enabling customers to speak to a virtual agent to resolve queries
2. Financial products in the real world – for example, enabling consumers to apply for a current account in a virtual branch, then receiving their debit card physically at home
3. Financial products in the virtual world – for example, enabling consumers to open virtual savings accounts that they can deposit into using their blockchain-based wallet or obtain credit in the metaverse using digital assets as collateral

The risks of not having a metaverse strategy include losing brand recognition and loyalty, being disconnected from the customer, and facing disintermediation by new players.

A number of challenges remain with the metaverse that need to be worked out, including consumer perception, technological gaps, and regulatory requirements, such as tax liability, intellectual property and data privacy.

Financial services in the metaverse

1. **Consumer perception:** mass adoption is not imminent as users currently lack understanding or interest. Barriers to interest also remain, with high hardware prices and fragmented platforms. As use cases become more valuable, and Gen Z segments grow older, however, demand is set to increase
2. **Technology catching up:** Progress is required in widespread internet speeds and infrastructure to deliver these mass, synchronous virtual worlds. In addition, global workforces are catching up in the talent and skills required to build a metaverse
3. **Regulatory needs:** Open, transparent standards are required for the metaverse, much like the protocols designed with the World Wide Web. These will need to address open questions around security, law, jurisdiction, data privacy and protection
4. **Business positions & policies:** Organisations will need to think early and clearly to establish their approaches to the metaverse, and how these define the leading use cases across enterprise collaboration, retail, customer service, and commerce



Three areas to explore on your journey in the metaverse

We see three key areas that brands financial institutions should focus on when formulating a strategy for the metaverse:

- 1. Finance solutions for millennials and Gen Z:** This should include product service and development, sales and marketing, and underwriting and risk management
- 2. Next-generation platforms as a data mine:** Virtual worlds will provide a whole range of new customer data, so financial institutions should partner with metaverse platforms to understand how to best leverage data to provide more targeted offerings
- 3. Digital wallets:** As digital assets are traded in the metaverse, financial institutions should consider building a strong position in digital wallets and pursuing the associated opportunities



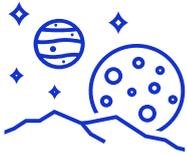
The benefits of getting in early

We encourage banks to become 'meta-curious'. There are benefits to forming an internal approach to the metaverse early:

- 1. Next-gen customers:** The metaverse will become a mainstream, everyday experience and commerce channel for younger millennials, Gen Z and Generation Alpha (people born since 2010) users. By being a pioneer and establishing a presence, you are strengthening bonds with new and existing customers (54% of Roblox customers are under 13¹)
- 2. Brand messaging:** In the medium term, metaverse initiatives can provide an immediate boost in exposure by showcasing innovative credentials, if done well. The metaverse will become a significant marketing and engagement channel, so preparing for this cultural shift early will appear as innovative and ahead of the curve (one in three UK millennial customers consider their primary current account to be with a neobank²)
- 3. Foundation-building:** It is widely accepted that the full vision of the metaverse is years away. But it is not too early to prepare. Fundamental shifts in talent, operating, infrastructure and execution capability will be needed within an organisation, and developing the foundation now is crucial (68% of global banking executives believe that the metaverse will be a competitive factor in the future of the industry³)
- 4. Future-proof:** By following key emerging metaverse trends and innovations, financial services providers can pivot quickly to changing consumer needs and demands in the metaverse

1 <https://www.washingtonpost.com/video-games/2022/09/09/roblox-ads-metaverse/>
 2 <https://www.finextra.com/newsarticle/34905/third-of-millennial-brits-say-primary-bank-is-a-challenge>
 3 <https://bankingblog.accenture.com/ultimate-guide-to-banking-in-the-metaverse>

What banks should be doing next:



Become meta-curious

Aspects of the metaverse are already compelling. Technologies for access are here and are becoming cheaper. Banks should be planning now to be ready for the next innovation, especially with Big Tech leading the revolution.



Test and learn

We are not sure where the metaverse will be in a decade. Niche offering or mass adoption, or somewhere in between? What is more certain is that it will be too big to ignore, and banks should look at it either offensively or defensively.



Prepare the foundation

The metaverse is a significant channel for brand messaging and new product development. Firms should develop strategies make changes and hire talent to be in the mix.

How Visa Consulting & Analytics can help

At VCA, we offer a range of services to help you navigate the metaverse, including:

Understanding the metaverse: We run immersive deep-dive and 101 sessions, which will help you understand what the metaverse means for your bank and how to seize the opportunity. We can also provide insights for your payments team on trends and what your competitors are doing to help you form your metaverse strategy.

Designing metaverse propositions: We can help you scope out your metaverse proposition based on insights that are grounded on customer understanding and data. Our history of innovation and our design framework enables us to help you create a compelling linked virtual/physical proposition.

Metaverse data insights: Our expert analysts can find valuable customer spend data for relevant merchants and peers to inform your metaverse strategy

Building the foundations: Our Crypto Advisory Services and Digital Practice can support you to develop technological capabilities and operating models to make your metaverse offering a reality.

Marketing and branding: We can launch campaigns and develop your marketing initiatives to support product offerings for the metaverse.

Developing metaverse strategy: We are well positioned to work with clients to initiate a metaverse discovery engagement. This engagement includes strategy formulation, capabilities assessment, business case and go-to-market

Interested?

Read another of our white papers, [The Metaverse as a Strategic Inflection Point](#).



About Visa Consulting & Analytics (VCA)

We are a global team of hundreds of payments consultants, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

For help addressing any of the questions raised in this paper, please reach out to your Visa Account Executive to schedule time with our Visa Consulting & Analytics team or send an email to VCA@Visa.com or visit us at Visa.com/VCA.

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