

Episode 26 - Metaverse Means Business -Mrinal Rai

Host: Hi everyone. I am Tajeshwar, a product manager with Digital Workplace Services here, at HCLTech.

*In this episode, our guest is **Mrinal Rai**, Principal Analyst and Senior Manager at ISG Information Services Group. He is one of the most prominent industry analysts with close to 15 years of experience covering key trends in the IT services industry and thought leadership.*

We will be discussing certain aspects of the enterprise Metaverse trends within.

Hi, Mrinal.

Host: You were one of our first guests when we started this podcast series, and it's so good to have you back at the same venue where we had our first conversation. How have you been? How have been the last two years?

Mrinal: Hi Tajeshwar, thank you so much for having me here. The last two years, like everybody else, were really amazing and, with a lot many challenges. And the new, I've witnessed new ways of working, new ways, enterprises are changing their business models, and how service providers like yourself are transforming to help those enterprises.

Host: The topic for today is the metaverse. It's great to have you here. Let's dive into it. So, the first question is, **there is no official definition yet that exists for the metaverse. Or that is universally agreed upon, but technology leaders and influencers are already pouring in their understanding of the metaverse.** So, let me ask you, **what is a metaverse for you?**

Mrinal: Metaverse has a lot of definitions in the present context, and many enterprise clients and providers, and vendors are defining it as per their service capability and offering.

We believe that Metaverse is like an extension of cyberspace where human beings will connect using virtual and augmented realities. But Metaverse is much more than AR, VR, multi-device mode, and presence in these digital identities. Yes, it is all about technology-led experiences, but we believe that Metaverse is more about the democratization of content creation.

The power of creating content is kind of democratized in the hands of individuals. And that is something that the metaverse will enable. Experience is not just individual experience, but the experience of a community that is a very important part of Metaverse and a community with a common purpose and shared interest in connecting in a virtual world. That is what Metaverse is for us.

Host: Why is there so much hype and, urgency around the metaverse? Cathy Hackl, a famous futurist, author, and metaverse expert, mentioned that if you wait a year and a half or two years to do something, to have a clear strategy, and to start testing these assumptions, it might be a little bit too late. What's your take on this instilled sense of urgency for the metaverse?

Mrinal: Well, there is hype for the metaverse, more than needed. However, I don't think there is a real urgency to adopt the metaverse yet. There is a tendency and there is an urgent need from an enterprise perspective, but more to explore the components that build the web, web 3.0, and Metaverse and the applications in the modern business scenario.

If you look at previous technological advancements and disruptions, maybe Metaverse is at a very early stage of development, but with a lot of potential to disrupt. It may be where smartphones were around 16 or 17 years ago, and Apple came up with iPhones. Organizations don't want to lose out, and there's always a desire of being the next apple of the upcoming technology curve. There's also FOMO, the fear of missing out that is driving a lot of technology-led innovation or interest with respect to Metaverse. So yes, there is hype, there is not really an urgency, but as you see a lot of technology firms investing a lot in the metaverse and related technologies. We see enterprise clients are very curious right now to understand what the business implications of Metaverse given in their industry and their business.

Host: There are many surveys, indicating that in the next three to four years, around 25% of the people, one-fourth will spend around one hour a day in the metaverse for work, socializing, gaming, entertainment, shopping, travel, education, et cetera. What are your views on the societal and, business opportunities of the metaverse?

Mrinal: Metaverse as a technology has a lot of potential to impact both society and businesses at large in any such technology that can impact both society and businesses, they can start showing its visible impact once its societal penetration is strong enough. For now, we see strong traction, relevant use cases in a few industries, and also some specific horizontal business processes.

From the larger business perspective, I think enterprise. Should look at not only metaverse in silos, but the entire Web 3.0 stack. Now, the Web 3.0 stack is not just about metaverse. It is also about NFTs, Non-fungible tokens, decentralized autonomous organizations called DAO, cryptocurrencies, blockchain, et cetera.

Now, businesses need to consider that the power of Metaverse is in community building. What is really getting media attention right now is the metaverse, the augmented and virtual realities, the avatars, and the ability to access this world across multiple devices and multiple worlds. So that is what is getting the majority of media attention.

What is not spoken much about is, is the underlying econometrics that includes metaverse-led communities. It is all about community building, and people with a shared interest, common interests. And fluid identities. By fluid identities, we mean a user who is experiencing something in the metaverse, and when they go into some other metaverse, they should carry their identity with them.

Right now, the metaverses exist, but in silos, so there is a need for having a fluid identity. In addition, there should be a microeconomic model that transits these interactions in the virtual world into the real physical. And last but not the least is the persistent experience across the virtual world with virtual real estate, virtual goods, and virtual services. So, these are the things that enterprises should look at beyond the hype.

Host: Moving towards some of the more focused, industry or enterprise-based questions. So, if I'm a business owner and I want to take this step forward for my organization, what are the early use cases of the metaverse that you either already find enterprises working on or anticipate in the next one or two years?

Mrinal: There are some early signs already that brands and consumers are connected in the virtual world. Now, the ability to directly bring the brand to the end consumer is unique with Metaverse and there are some big retail firms that are already leveraging that. If you look at the entire ecosystem, there

are four levels of business creation as far as Metaverse is concerned. At the base level is the usage of existing and new technology, such as IoT, 5G, augmented reality, virtual reality, cloud, blockchain, even edge computing where technology players are already competing. This is the first basic layer of technologies. A layer about that is the new PaaS layer, the platform-as-a-Service layer in the B2B world of the metaverse.

Now, these platforms offer environment persistency that I spoke about, digital asset ownership, et cetera, where you have, platforms such as Meta, Decentraland, etc. On top of this platform, there's another layer of the building blocks of Metaverse, such as our avatars, brands, experience. This is where a managed workplace service provider, managed service providers, or IT service providers will compete.

And the topmost layer of Metaverse will be the actual implementation and usage to connect the virtual world with the end customer or end consumer, maybe through virtual events, immersive video games, digital marketplace, exotic destinations, simulations, etc. Apart from that, metaverse has a lot of scope for enhancing the employee experience in the workplace domain.

If you talk of onboarding a new employee who is working remotely, who has never been to the office, how do you entice them and to give them a glimpse of what the actual office looks like? Metaverse or virtual world can play a lot of good role in that. We talk of remote collaboration communication. Right now we are having video conferencing. Imagine having the same communication and collaboration over metaverse. A very important aspect of that Metaverse offers an employee experience today is about support for inclusivity and diversity. ISG's research tells us that the workforce that is entering the workplace, will be very much concerned about how much their organization puts emphasis on supporting inclusivity and diversity.

Metaverse gives you the option to have your avatar look like who you are representing your ethnicity, and your race, and that is a very good aspect that enterprises and workplace leaders can bank upon.

Host: Which industries do you see at the forefront of, metaverse adoption and, competitive advantage, that they're looking to achieve through Metaverse?

Mrinal: Well, there are a couple of industries that already have those use cases, and we are already seeing some implementation and of course interest from clients. You have banking industry, you have retail industry, travel, and transportation. They have immediate use cases for metaverse. For example, banking, they can have digital forex, digital lending, digital payment, et cetera.

Some banks already have a virtual version of themselves. Similarly, we see in retail store simulation as an example. With travel, transportation, and leisure industry users have the ability to provide virtual tour of next holiday destination. It is a powerful example of how Metaverse can help enable experience of a physical world in a virtual environment.

Host: The next question is a bit on the challenges. Among all this hype and excitement around the metaverse, of course, there are challenges to adopting that. Naysayers are citing return on investment, cybersecurity, data protection, lack of regulation, privacy, safety, et cetera. So what are your views on these challenges to adoption?

Mrinal: You're right, there are challenges, and while apart from the return on investment, cybersecurity, privacy regulations that you spoke about, there is also concern about addiction and physical health.

There are early reports about motion sickness in immersive world. Also, there can be bad behavior in virtual world just link in real world.

Avatars may be treated badly. In addition, the most important challenge in adoption of metaverse may not be technical at all, but cultural. How can you let the key decision maker in the organization to understand the value of investment on something like metaverse? The belief and confidence in returns and practicability of these solutions? It has to trickle down, not only from technology but the cultural perspective as well. These are the key challenges apart from definitely what you mentioned. These are the return on investment, cybersecurity, data protection, et cetera. I believe there are more challenges for metaverse than, these technical aspects.

Host: Specifically, on the ROI point, what are your top recommendations for business and technology executives on their expectations in terms of ROI from the Metaverse?

Mrinal: Well return on investment needs to tie in with the physical experiences. For example, for travel leisure industry, if a user is having an experience in a virtual world for a holiday destination, it should actually result in the actual booking of that holiday destination after experiencing that in the virtual world.

Similarly, for retail, there should be actual purchase of the product after trying it on an avatar for example. Also, metaverse is about experiences and the more people stay in the metaverse to have those experiences should also be a measure of success. For a consumer-focused business, volumes of NFT sold could also be ROI.

There can be three main areas when you talk about return on investment for metaverse. One is the conversion rate. That is how well the success is converted from virtual world to physical world. Second is the time spent in the metaverse or virtual world that can measure the engagement. And third, and the most important part is community engagement.

How will users socialize, build communities? That could also be a very important, another measure.

Host: So now let's talk about the purity of the experience. When you talk about the metaverse, the work that is being done by the likes of meta and other companies are mostly towards enabling access to the virtual. Now, do you believe that access to the metaverse should exclusively be limited to specialized hardware that is VR headsets to preserve that experience? Or would the access to the same virtual world using a more traditional device like a laptop or a mobile phone, be also considered as experiencing the same metaverse?

Mrinal: I think there are multiple examples to show that one doesn't really need expensive augmented reality or virtual reality headsets to experience Metaverse. Technologies support even smartphones and PCs to provide a similar experience. The VR headsets can help to experience some more facets of the metaverse, but I don't believe it is essentially vital for the metaverse.

There are already examples of end users having a great experience with the virtual or metaverse world without using these expensive headsets.

Host: For the common man, do you see these virtual worlds replacing websites? For example, instead of an employee portal or say a shopping website, the user walks into a virtual campus or a virtual

shop, and then interacts with different kinds of applications or avatars that are manned by chatbots in the end to consume services. Do you see this happening?

Mrinal: We are far from such a scenario, but the idea of metaverse is to create new experiences in the virtual world. If you look at apps, apps have already replaced websites to a large extent because of the prevalence and increasing capabilities of smartphones and handheld devices.

Examples of employee portal and virtual. They are actually not a distant future but is actually mostly possible in the present times. The replacement of apps world with metaverse or virtual world can happen, but it'll require the VR headsets to become a commonplace. Without that complete experience of a virtual world is extremely difficult to accomplish.

So until that thing happens, we don't believe that the virtual worlds are going to replace the entire internet.

Host: The metaverse can be looked at as a new way of consuming information. The same information that one consumes, say on a website or from a PDF file, can be made to look more interactive in the virtual world. Do you see experience overtaking the degree of utility or time taken to complete a task when companies decide on what use cases to shift to the Metaverse? For example, if somebody goes to a banking website or they walk into an actual branch, their KYC can be done in say, 10 minutes. But if they opt to experience that in the metaverse, it might take say 15 to 20 minutes for the same thing. It's a new experience. It's a value add in terms of getting to know something new. Do you feel companies prefer that?

Mrinal: I believe that when companies actually decide on the use cases to shift to something like metaverse, experiences will actually define the utility and a metaverse-based process takes more time than a physical or human process. That may not be the real measure of success for implementing Metaverse itself. Actually, experiences will define utility when companies decide to shift to use cases of the metaverse. The business objectives and the use cases for metaverse would be very much centered around providing those experiences and they would define actual utility.

In the same example, if end user spends more time in a metaverse to complete a task compared to what time they would spend when they do it physically, that may not be the real return on investment for that process to shift to the virtual world in the first. The reason enterprises are shifting to a virtual world is to be more connected to the end consumer, to make them more loyal and more connected to their brand.

So the drivers that make enterprises choose a technology such as Metaverse would be more centered around experience than utility.

Host: The last question before we let you go. A major roadblock and the prime reason for people rejecting the idea of entering the virtual worlds or staying in the virtual worlds for a longer time is the hardware. Let's imagine the Quest two or the Quest Pro suddenly shrinking to the size of your spectacles right now that roadblock has suddenly gone. Now tell me, with that assumption, do you see some of the pessimists change teams and be more accepting of the idea of spending more time in the virtual worlds?

Mrinal: To tell you the truth, this is something I actually imagined a few years ago, that if I have a spectacle where I can see what I want to see without referring to any screen, that would be awesome, right?

But at the cost of impacting eyesight, definitely I would be in for any such technology that can remove the requirement of something like a Quest two, and it shrinks to the size of a spectacle, definitely it'll help increase the adaption. Again, the challenges to adopting Metaverse is not about the technology itself, but multiple other factors.

Thank you very much for your time, Mrinal. As always. It was great having you here and like before and in each and every interaction, the moment it stops, we start the countdown to when is it that we can post you again. I'll be available and happy to talk to you again. It's always a pleasure. Thank you very much, Mrinal.

Mrinal: It's been great. Thank you.