

Europe



Revolut



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
FinTech	Consumer/SME Banking	Successful	TBD

Overview

[Revolut](#), founded in 2015, offers various financial products to consumers and businesses. It does so through its mobile application, which is available on iOS and Android devices. It supports spending and ATM withdrawals in 120 currencies and sending money directly from the app in 29 currencies.

Positioning

“Get more from your money”

Business Model

- While Revolut’s core banking account is free of charge, there are a multitude of other products and services with which users are monetized.
- Business model is based on several levers: 1. Subscription plans (for both consumers and businesses), 2. Interchange fees, 3. Fees for international transfers and cash withdrawals, 4. Perks for customers who pay with the Revolut card at their selected partners, 5. Interest on loans and overdrafts, 6. Stock trading and 7. Intermediation fee from insurances provided by [Simplesurance](#) and [White Horse Insurance](#).¹²³

Approach to Market

- **UK e-money license** - Revolut has grown its customer base much faster than other challenger banks by focusing on getting an easier to obtain e-money license in the UK to rapidly launching products and bringing customers on board quicker.
- **Initial niche focus** – Started targeting frequent travellers, a niche was underserved rather than targeting current accounts.
- **Quick International expansion** – Footprint has been always key for Revolut. Today serves 35 countries across Europe, America, Asia & Australia. Last year partnered with Visa to scale and wider its global acceptance footprint. It is looking to bring its offerings to 56 markets globally.
- **Banking License** – Only in December 2018 obtained a Lithuanian banking licence, to widen the services to offer to consumers. Still not technically a bank in the UK, rather an e-money institution. Payments Provider in Australia, Japan and Singapore. Is exploring US banking license application.¹²⁴
- **Proposition designed for millennials**, who expect services to be personalized and mobile-first. New products launched targets Teens with Revolut Junior.

¹²³

https://productmint.com/the-revolut-business-model-how-does-revolut-make-money/#Revolut_Valuation_Funding_Revenue_Investors

¹²⁴ <https://www.cnn.com/2020/10/12/european-fintech-giant-revolut-is-close-to-applying-for-a-bank-charter-in-california.html>

- **Customer led business** - The Revolut consumer always has a sense of power and control over their own experience. What's more, rewards for adding friends – combined with a freemium model that draws consumers in and then converts them to a subscription – are marketing- and incentive-led propositions that are baked into the business' overall operating model.
- **Partnerships at the core of Revolut** – Partnering with other FinTechs led to quick add new services and helped them drive down costs and accelerate growth. Today counts with more than 37 partners
- **Referral Marketing** - Revolut's marketing does not rely on paid media. Instead, they created a snowball effect with focus on their pre-early adopter user segment that would ultimately help them acquire a more mainstream customer.
- **Social tools for promoting new products** - Revolut uses attractive visuals and minimal content to communicate their message as well as user generated content.

Proposition (Fee Free)

Products (UK)

- Current Account
- Junior Accounts
- Savings Account
- Investments
- Credit Card
- International transfers
- Personal Loans
- Business Loans
- Insurance
- Free Current Account

- Premium Account

Features

- Budget and analytics
- Vaults
- Mobile payments
- Subscriptions
- Group bills
- Rewards
- Donations

Results

- **Massive customer growth.** Revolut achieved 1m customers after two years of operation without a banking license. In Jan 2018. Crypto Currency launch and new markets presence helped accelerate customer growth. Today it counts with over 13m users globally.
- **Tripled Valuation** - Revolut is among the most highly valued European FinTechs. In its latest funding rounds its valuation tripled to \$5.5 billion, having raised a total of \$918 million since inception.
- **Revenue grow** – £162 million in revenue in 2019 compared to £52 million in 2015. An increase of 180 %.
- **Revolut processed more than \$52 billion in transactions** last year, up from \$27 billion in 2018 and \$7 billion in 2017.

Success Factors

- **Speed lane approach** - Rather than going for a full banking license from the beginning, it was able to launch its product without going through regulators. With an e-license became popular prior to other nonbanks.
- **Leveraged the EEA passport and partnered** – Used EEA passport to expand across Europe and partnered with other FinTechs to iterate quickly, while rapidly gaining access to a roster of potential clients before broadening their banking offering.

- **Simplicity and user experience** - Accounts can be started and set up in a few minutes, budgeting and account management services are designed to be intuitive and easy to navigate and there are a host of security-related options built in too.¹²⁵
- **Removing the middleman from their infrastructure** - All services core and adjacent are run, built, deployed, and managed internally. Revolut is free from legacy systems. Whatever they want to change in their product, they can do it quickly and cost-effectively.
- **Abundance of revenue streams** - Apart from getting a cut from each stream, their revenue increases even more because they own their infrastructure. Card & Interchange fees represents 63% of total revenues, away from 97% back in 2017.¹²⁶
- **Scale** - Higher average deposit and number of customers have helped Revolut to generate bigger revenues than other UK challenger banks. It has pulled in paid users via its subscription services.
- **Ability to build quickly and innovative relevant offerings** – While its initial focus was on cross-border payments, it very quickly added innovative and complementary products. Cryptocurrency their most viral.
- **Creating a viral experience** – It offers customers not only a product worth paying for, but also a status symbol. It marks them out as special and users will gladly share their experience with anyone. This product virality fuels an accelerated rate of adoption, which naturally increases promotion and profit. No paid campaigns needed. Just a natural, simple, rewarding experience.

Weak Factors

- **Profitability:** Revolut has investor pressure to focus on profitability. Last year recorded post-tax losses of £108m, more than tripled from 2018, which stood at £33m. Loss for 2019 are despite strong growth in customer numbers and revenues.¹²⁷
- **Costs** - Operating expenses tripled in 2019 attributed to rapid global expansion.¹¹ The challenge will be to keep its swollen fixed cost base under control; not least because it's still unclear if growth into areas like the US will pay off.
- **Revenue streams** - Despite having diversified its revenue streams, over 60% of its income still comes from interchange fees. This is likely to impact revenues by the pandemic lockdowns.
- **Fast executive turnover** - Turnover in some key areas has been unusually high: for example the company has had four heads of in five years. The first specialist brought in to help reform the group's culture left after just 12 months.¹²⁸
- **Unit economics** - The company's unit economics are still negative, with the average customer costing them £1.52 based on direct costs.
- **Lending has challenges during the current environment.** Strong knowledge of how to effectively lend money and run a healthy loan book are key for success.

¹²⁵ <https://www.fintechmagazine.com/venture-capital/fintech-profile-revolut-money-management-disruptor>

¹²⁶ https://www.linkedin.com/posts/javier-guevara-torres_revolut-deep-dive-2020-activity-6704047674414497792-VPQH

¹²⁷ <https://sifted.eu/articles/revolut-annual-report-losses/>

¹²⁸ <https://www.ft.com/content/7fa2a8ea-8e66-11ea-a8ec-961a33ba80aa>



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
FinTech	Consumer/SME Banking	Failure	TBD

Overview

[Monzo Bank](#) (formerly Mondo) is a digital mobile-only bank, funded in 2015, offering services to consumers and businesses. It enables users to receive push notifications about payments in real-time. It also offers to categorize transactions, freeze a card, and overview of spending habits.

Positioning

“Banking made easy”

Business Model

- Monzo’s core app and consumer accounts are free of charge, just recently started offering premium monthly subscriptions.¹²⁹
- Business model based on several streams of income. 1. Subscription fees, 2. Interchange fees, 3. Overdraft and consumer loans Interests, 4. Lending to other institutions such as [Investec](#) or [OakNorth](#), 5. Cash Withdrawal and 6. Partnerships with energy providers.¹⁵

Approach to Market

- **Initial focus on niche market** - Launched a prepaid card to get customers rapidly onto its platform, while applying for UK banking license.
- **Pursued early a banking license** – It obtained it in 2017, with the aim to build trust with UK consumers and allow them greater flexibility in building a wider offering.
- **Shifted focus on Current Accounts** - It concentrated into transitioning customers onto their new current accounts offering and discontinued the prepaid card,¹³⁰ which impacted customer growth.
- **Target market** - Focused largely on the younger, affluent, cosmopolitan customer segment.
- **Partnerships**– with other FinTechs led to quick add new services, helped them drive down costs, while accelerating grow and adding new income streams. It has more than 15 partners today.
- **Local positioning**- Monzo has intended wider its footprint, such as in the US, but with poor results. In the UK is the top challenger bank. Monzo has grown its share from 35% in April 2018 to more than 50% at the end of 2019.¹³¹
- **Marketing focus on community** - Monzo has been a community centric bank from the beginning, taking constant user inputs for product development across online forums, events and social media. It has 44,352 community members as of July 2020. It has built an approach on transparency with customers to set itself aside from traditional banks and incentivize customer advocacy.

¹²⁹ <https://www.theguardian.com/money/2020/oct/20/monzo-launches-180-a-year-premium-account-despite-downturn>

¹³⁰ <https://www.javierguev.com/insights>

¹³¹ <https://www.thisismoney.co.uk/money/saving/article-7647253/Monzo-accounts-half-UK-digital-challenger-bank-market-data-finds.html>

- **Moved from organic to paid Marketing** - While Monzo's primary customer base growth was attributed to organic referrals up to 2018, the fintech shifted gears to paid marketing-driven.¹³² Marketing spend grew 600% in 2019, compared to 2018.
- **From grow to profit** - Monzo's initial focus was on growth alone, which eventually expanded to becoming profitable as well. It searches to grow its revenue streams with new products, such as lending and introduced offering paid-for account service, while it is spending more on marketing & building in-house technologies.

¹³² https://www.linkedin.com/posts/javier-guevara-torres_monzo-deep-dive-2020-activity-6707591058051747840-bk82

Proposition (Fee Free)

Products

- Current Account
- Premium Account
- Joint Accounts
- 16 – 17 Accounts
- Business accounts
- Savings Account
- International transfers

- Personal Loans

Features

- Travelling
- Energy Switching
- Bill splitting
- Integrated accounting
For businesses

Results

- **“quickest crowd-funding campaign in history”**- February 2016, It set the record when they raised £1m in just 96 seconds via Crowdcube.
- **Customers grow Spur** – Monzo reached 1 million customers at the end of 2018. The move to paid online and tv marketing helped them to increase customer numbers to 4.4 million in 2020, an increase of 340% in two years.
- **Revenues more than tripling** - From £19.7 million last year to £67.2 million in 2020. Monzo's revenues are also rising faster than costs.¹³³
- **Monzo's losses double** - It reported an annual post-tax loss of £113.8 million in its 2020 accounts, up from the £47.1 million it lost last year, amid investment on hiring, marketing and a U.S. expansion. The digital bank warns of pandemic uncertainty.¹⁹
- **40% Valuation drop** - Monzo's dropped in valuation from \$2.5 bn to \$1.6 bn in early 2020, which is attributed to the Covid-19 crisis, that impacted revenue streams & the continuing trend of net loss as the company focuses on growth.
- **Monzo attracts the most current account switchers for the first time** -¹³⁴ The digital-only bank had 20,843 switchers between last October and December, taking the top spot away from Nationwide.
- **Increased lending** - Monzo lent out a record £143.9 million, compared to £19.2 million in its 2019 results. But it expects credit losses to climb dramatically to £20.3 million from £3.9 million, with £4.1 million of that sum being set aside for a heightened default risk associated with the pandemic.¹⁹
- **UK's biggest fintech challenger** - Monzo's growth rate and market share is impressive, It has grown its share from 35% in April 2018 to more than 50% at the end of 2019.

Success Factors

- **Semi-traditional bank approach** – Launched a prepaid card instead of a full account product, while it was working towards a full banking license.¹³⁵ It benefited from bringing high number of customer onboard, getting products to market faster, customer feedback, and fixing bugs during early product releases.
- **Word of mouth marketing** - Monzo's primary customer base growth was attributed to organic referrals up to 2018. Its online community and approach on transparency with customers, set them aside from traditional banks and was key to incentivize customer advocacy.

¹³³ <https://www.cnbc.com/2020/07/31/monzo-losses-double-as-uk-digital-bank-warns-of-pandemic-uncertainty.html>

¹³⁴ <https://www.telegraph.co.uk/personal-banking/current-accounts/monzo-attracts-account-switchers-first-time-customers-desert/>

¹³⁵ <https://www.cbinsights.com/research/challenger-bank-strategy/>

- **2018 Paid marketing, and TV ad campaigns** - The Shift from organic to paid Marketing saw Monzo increasing customer numbers from 500k in 2018 to 4.4 million in 2020.
- **Local UK focus** – Monzo has focused on grow in its main market before expanding, which has led to be the top bank in the UK.
- **Simplicity and user experience** - Monzo’s key offering is simplicity, as well as a customer focus that has rarely been seen before. The company is successful because it listens to what its customers want, providing the best user experience on the market.

Weak Factors

- **Stepped away from initial offering** - Monzo was going through a period of rapid growth, adding a reported 60K users a month when the company was granted a charter. In December 2017, they stopped adding new customers to focus on current account current accounts, which meant missing customer growth.
- **Ability to monetize customers** - An early premium services by Monzo offered numerous facilities such as travel and home insurance, increased ATM allowances and airport lounge access for up to £13 per month, but was negatively received by customers and subsequently withdrawn only five months after its launch. It has been re-launched them under a new fee structure in June 2020.¹³⁶
- **Pursue customer growth over everything else.** Customer numbers have been more visible than tangible, helping to secure new investor funds but being less beneficial for revenue. Just after 2020 results report the bank shifted towards profitability objective.
- **Raising costs** - The result of acquiring 4.4 million customers has been substantially rising costs, including a growth in staff numbers from 300 in 2018 to almost 1,500 in 2020. Operational expenses grew in 150 % from £60m last year to £150m in 2020.
- **Relying on external funding** – The current pandemic could impact their ability to generate income and will challenge their Premium offering. In its 2020 annual statement, it said disruption resulting from Covid-19 has led to “significant doubt” about its ability to continue “as a going concern.”
- **Valuation** - Monzo’s latest drop in valuation certainly will impact investor interest, with venture capital funds showing extreme caution when considering backing companies operating at a loss.
- **Lack of global brand awareness** – Make it difficult to Monzo to expand internationally and reach new markets, would require a big investment.
- **Primary account** - Only 20% of Monzo’s customers use it exclusively, most of the rest rely on traditional banks for their primary account, which may also be why it is difficult to get customers to pay for premium.¹³⁷

¹³⁶ <https://www.finextra.com/newsarticle/35298/monzo-to-revisit-paid-accounts-after-aborted-2019-attempt>

¹³⁷ <https://ftalphaville.ft.com/2019/12/18/1576674529000/Fintech-users-just-can-t-get-enough-of-traditional-banks/>



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
Bank of Incumbent (Royal Bank of Scotland (RBS))	Consumer Banking	Failure	TBD

Overview

[RBS launched Bó](#), an app-based account accompanied by a yellow payment card, back in November 2019, at a £100 million investment and the acquisition of the start-up they co-funded, [Loot](#). Six months later RBS announced it was closing the digital challenger.

Positioning

“Bó is the banking app that helps you spend less and save more”

Business Model

- Free account offering. Low margin business with income generated from interchange fee.
- Bó intended to use deposits to lend across RBS business

Approach to Market

- **Hoping to compete with digital banks** - RBS was hoping to take on digital banking with an app-only offering aimed at a younger, less financially savvy audience.
- **Designed to help people manage their money**, and included features to help users budget, set savings goals and access “great Visa exchange rates” when using their card abroad. Users also were instantly alerted whenever they use their card.
- **Leveraging on the incumbent** – Bó was introduced as part of a bigger and consolidated group as NatWest in the UK, so people could rely on Bó to keep their money safe.
- **But setting aside as innovator** – Bó made clear, however, that as a digital bank, it was build entirely on a separate cloud-based technology, so it was able to harness new technology and develop rapidly in line with our customers’ needs and expectations.
- **Branding design around the concept of helping people do money better.** The design included a bright yellow circle, symbolising the sun, and uses the same yellow across several touchpoints such as its debit card. It was also keen to create a brand that fit into the digital world, rather than alluding to the branding of major banks.
- **Positioning on “money-saving” and security** - Digital banks focus on the benefits of being digital. Instead, Bó was focus on the benefits of ‘doing money better’. They were trying to talk to people who feel negative emotions about money. Their differentiator was Bó’s focus on “money-saving” tips and the security of being linked to a traditional bank.
- **Strategy shift du the pandemic**– The global pandemic forced RBS to refocus its investment strategy. RBS’ profits halved in the first quarter, and the bank has set aside set aside £802 million

(\$1 billion) in credit loss provisions due to the crisis. So, there were very little wiggle room left for funding

Proposition (Fee Free)¹³⁸

¹³⁸ <https://moneytothemasses.com/banking/bo-review-natwest-launch-rival-app-only-ban>

Products

- Current Account
- Debit card
- Instant spending notifications
- Set savings goals
- Fee-free spending abroad
- Lock or cancel card

Features

Results

- **Tough time attracting customers.** The bank managed to attract just 11,000 customers — including “friends and family” of the bank, in the almost six months since it launched. The bank was hoping to attract “a few million” current accounts to Bó over the next four to five years¹³⁹.
- **Closed after six months in operation** – RBS decided to wind down the standalone digital bank and instead combined it with its SME-focused brand, [Mettle](#).
- **Poor user feedback** - Bó was hit by a string of critical reviews on the App Store when it launched in December last year. Rated 3.2 out of 5 on iOS. Meanwhile, Mettle enjoys a 4.7. RBS has racked up millions of users across its main apps, which have much better ratings than Bo.
- **Bó Integration** - RBS announced Bó and Mettle would be integrated, and a senior figure at the bank confirmed Bó’s IT stack would not be up for sale.

Success Factors

- **Strong brand** - “As we’re part of NatWest, people can rely on Bo to keep their money safe,” Bo CEO Mark Bailie said. But as a digital bank, built entirely on a separate cloud-based technology.

Weak Factors

- **Limited features** - Wages were not able to be paid directly into Bó accounts, a major drawback in attempts to compete with other digital banks.
- **Lack of clear USP** - It needed to find a way to stand out and establish a USP (unique selling point) to differentiate itself from the digital-only banks. However It failed to do so.¹⁴⁰
- **Tech flaws** Bó’s tech stack is said to have been plagued with problems, with the team spending the first three months post-launch bug fixing and prompting worries from RBS investors. In addition, a compliance glitch forced thousands of users to replace their cards earlier in 2020.¹⁴¹
- **Crowded and mature market** – There are plenty of players and apps from both fintech challengers and well-established lenders in the UK. In fact, it is the same reason N26 pulled out of the UK and that is a far cry from Monzo’s 3.5 million signups at the time of the bank closure.
- **Limited customer engagement** - Although Bó had far more customers as a retail bank, Mettle had more engagement (transactions, deposit, spending, app usage).
- **Big investment** – RBS made a £100 million investment and the acquisition of the start-up they had been co-funding, Loot. The bank had been brewing towards launch over a period of three years and originally was started when RBS received a negative answer from their proposition to acquire Monzo. Instead, they ended up building Bó, with far more investment and backing than Monzo ever received at that time.

¹³⁹ <https://www.ft.com/content/2f9eef50-57aa-11e9-91f9-b6515a54c5b>

¹⁴⁰ <https://www.cnn.com/2020/05/01/rbs-drops-bo-its-attempt-to-rival-monzo-and-revolut-why-it-failed.html>
<https://sifted.eu/articles/rbs-bo-close-decline/>

¹⁴¹ <https://thefinanser.com/2020/05/little-bo-peeps-creeps-and-sleeps-why-big-banks-fail-at-digital-banks.html/>



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
Bank of Incumbent (BNP Paribas)	Consumer Banking	Successful	TBD

Overview

[Hello bank!](#) is a digital direct bank owned by French international banking group [BNP Paribas](#). It started operations in 2013. The bank operates in France, Belgium, Germany (using the name Consorsbank), Italy, the Czech Republic and Austria.

Positioning

“mobile like you”

Business Model

- Free banking + Premium
- Business model based on several streams of income. 1. Subscription fees, 2. Interchange fees, 3. Overdraft, consumer loans and mortgages Interests, 4. Insurance, 5. Cash Withdrawals

Approach to Market

- **A pan-European model** – Hello bank! started in Belgium in 2013, as the country relatively lead in digital banking over France and Italy. Nevertheless, those countries followed only a few months later (in Italy through BNP Paribas commercial bank subsidiary, BNL). Most Hello bank! customers in these countries were previously with the BNP Paribas brand.
- **Leveraging the local brand.** For example, BNP Paribas’ German subsidiary Consorsbank, shares Hello bank!’s blue branding and exclamation mark but not the name.
- **Leveraging Personal Finance’s Customer Base.** In 2017 Hello bank! Launched new digital banks by Personal Finance in Europe (Hello bank! by Cetelem). It started in the Czech Republic from personal finance brand Cetelem¹⁴² and by 2020 it expects 4 new countries: Slovakia, Hungary, Romania and Bulgaria. Targeting more than 50 million inhabitants in those 5 countries.¹⁴³
- **Young Target Market** - It has a particular focus on Generation Z, or those born from 1995. These consumers are characterized by success, survival, down to earth. Hello bank! Customers are digital savvy and self-directed population, that are looking for daily banking as well as simple saving and credit product and services.

¹⁴² https://invest.bnpparibas.com/sites/default/files/documents/id-master_v4.pdf

¹⁴³ https://invest.bnpparibas.com/sites/default/files/documents/presentation_conf_goldman_sachs_juin_17_-_master_v4.pdf

- **Strategy adapted to local markets.** Proposition, target market and positioning are also shaped to the local audience. While in Belgium targets young people, mobile first, in France focus is on modern mass affluent, urban consumers, always on the go, as a complement of "Remote" model. Differently a "Direct Only" value proposition for customers in Italy.
- **Branding to generate trust** – PNB Paribas realized that it was easier to invent a new brand than it was to try and radically reshape the existing one to provide a tech-savvy banking image for tomorrow's consumers. However, the word 'bank' was included into the name as they wanted to expand the channel into a platform which went far beyond current accounts alone. It felt that the word 'bank' would also create confidence and trust.
- **Clear Positioning.** It is all about making banking easier. They use adjectives like "clear," "straightforward," "simple" and "easy" to guide everything they do.
- **Performance-based, marketing spend** - above-the-line, marketing spend is mostly oriented to performance-based, digital spend. Key areas of investment for Hello bank! include community activity, and sponsoring events for target demographics, such as the Belgian music festival, Tomorrowland. Social media has also been a huge area of focus.
- **Social media focus.** Hello Bank! has high use of digital channels in its relationship with prospects and customers. It generates high Web traffic from social networks, and It stands out especially in terms of commitment (number of likes, comments, retweets...) on its social network accounts.¹⁴⁴
- **Further acquisitions to differentiate service models.** BNP Paribas acquired [Nickel](#) in July 2017. With this acquisition, BNP Paribas has rounded out its offering dedicated to new banking practices, and, along with Hello bank!, and the branch network, it has a full range of solutions tailored to the needs of its various customer bases.¹⁴⁵
- **Moving into Freemium** - Hello bank! whose offer was free until now, is turning to "the freemium model, with a free and a paid offer". Both offers will offer cards with a sober and refined design. The first is called Hello One. It includes a new card, with no possible overdraft and no income conditions, which allows you to monitor your balance in real time. Thanks to this new strategy, Hello bank! hopes to double its number of customers in Franc, i.e. to reach one million users, by the end of 2022.

¹⁴⁴ <https://www.d-rating.com/post/banks-digital-experience-score>

¹⁴⁵ https://invest.bnpparibas.com/sites/default/files/documents/ddr2018-gb-bnp_paribas.pdf

Proposition (France)

Products

- Free Account
- Premium Account
- Joint account
- Saving
- Credit Card
- Insurance
- Consumer Loans

- Mortgages
- Investments

Features

- Account aggregation
- Branch access
- Lock or cancel card

Results

- **Progress in Group digital transformation.** Digital is strongly growing in all the businesses of the Group. Domestic Markets already has over 9.7 million digital clients in Retail Banking (including Hello bank! and Nickel) and accelerates mobile uses of individual customers thanks to expanded features available, ranking as first bank in France in terms of mobile features according to D-rating.²⁹
- **Raising number of customers** – The bank aimed for 1.4m customers by 2017 and it now boasts 2.9 million (+8.1% vs. 3Q19) across its 5 original markets. It was gaining momentum in France, Belgium, and Italy on the youth client segment, reaching 506,000 customers in Belgium, 520,000 customers in France and over 1.5 million customers in Germany.¹⁴⁶ Up to one-third of customers are likely to be existing BNP clients deciding to transfer their branch based accounts.
- **Nickel neobank exceeded** 1.5 million accounts opened as at 31 December 2019 (+33% compared to 31 December 2018). With 5,550 points of sale in France, Nickel has become the third largest distribution network in France, confirming its leadership in the neobank market in France and ranked in the top 5 in Europe.
- **20% annual growth** - For the year 2020, Hello bank! does not communicate a precise quantified objective but indicates that it wants to maintain its rate of 20% annual growth, observed over the past two years. The digital bank also does not disclose the number of paying customers it intends to attract.
- **Focus on self-employed.** Hello bank! intends to diversify and target, self-employed. A niche in which many players have already positioned themselves, such as FinTech Shine and Qonto.

Success Factors

- **Flat organization** – The Digital brand counts with the back of one of largest financial institutions in Europe, while also keeping a flat structure to ensure quick decision making and minimal overhead.
- **Robust backing from top management** - At both local and group level. In Belgium for example Hello Bank! Was able to count on the support of over 500 people globally to launch operations. In addition, 80 million euros were invested to launch the Europe-wide online bank as BNP cast their net wide for funding in a slowing economy.
- **Data Driven business.** Hello bank! is data-driven. The mobile bank has three aims: to attract new, young clients, to encourage clients to purchase banking and non-banking services and to serve as

¹⁴⁶ <https://invest.bnpparibas.com/en/results>

a lab for digital innovations. Across the process the bank is constantly adjusting their proposition in response to the behavior of their clients.

- **Integrated and Long-term strategy** - The Group is actively pursuing its strategy of focusing on client needs and developing products and services that address a wide range of demands. All the knowledge and learnings obtained from their digital bands, then are used for all the channels of the brand.
- **Launch of new offers leveraging existing client base.** New digital banks: Hello bank! by Cetelem, leverages Cetelem's key strengths: 1. Strong brand legitimacy, 2. A broad customer base: 27 million clients in 28 countries and 3. Strong flow of new distribution & direct clients and large partners network (130 strategic partners).
- **Wide portfolio and focus on Profitability.** The bank is not yet profitable but aims to be at the end of 2022. To achieve this in the coming 12 to 18 months, is focusing a new category of clients: self-employed.

Weak Factors

- **Poor App rating.** It has a score of 2.8 in Google Play, lower than other BNP apps. Reviews shows that the app is yet not in line to customers' expectations.
- **Intense competition.** Amongst banking and non-banking operators, which could adversely affect the BNP Paribas Group's revenues and profitability. Competitors are subject to less extensive regulatory requirements or to less strict capital requirements , or benefiting from economies of scale, data synergies, technological innovation (e.g., internet and mobile operators, digital platforms, fintechs), or free access to customer financial data could be more competitive by offering lower prices and more innovative services to address the new needs of consumers.



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
FinTech	SME Banking	Successful	TBD

Overview

[OakNorth](#) Bank is a UK bank for small and medium-sized companies that provides business and property loans. The bank gained regulatory approval in early 2015 and offers loans that are backed by cash flow or a mix of other assets (such as receivables or inventory). It also provides savings accounts that are invested in supporting entrepreneurial growth businesses.

Positioning

For the “missing middle”

Business Model

- Mainly Interest generated from business lending, fees, and commissions.
- Income generated from licensing its credit-analysis technology to non-UK banks¹⁴⁷

Approach to Market

- **Focus on Lending to SMEs.** While many better-known fintech start-ups have raced towards banking licenses, customer cards and current accounts, OakNorth has built a mammoth business with SME lending focus.
- **Technology enabled proposition to an underserved customer segment.** Lending between £0.5m-£50m to businesses at very competitive rates. This segment has been traditionally underserved, and especially since the 2008 financial crisis when big banks withdrew from the lending market to repair their balance sheets.
- **Government-loans,** The government has so far allocated OakNorth £50m (constituting ~0.0014% of the state’s total pandemic loan package) and the bank has already begun distributing those funds to its existing clients — looking for a speedier turnaround than its high-street peers.
- **Data and technology-driven solutions to borrowers and lenders.** It has successfully launched its data and technology platform, OakNorth Analytical Intelligence, with partners in eight new global markets.
- **Proposition.** OakNorth offers a lending technology enabled proposition and accepts multiple collateral types like stock, debtors, plant and machinery, and intellectual property. The average time it takes to complete a loan from first meeting to disbursement of cash is three weeks compared to the often months it takes larger institutions. The bank also gives each borrower the opportunity to meet its Credit Committee.¹⁴⁸

¹⁴⁷ <https://sifted.eu/articles/oaknorth-corona-profit-fintech/>

¹⁴⁸ <https://www.forbes.com/sites/lawrencewintermeyer/2017/11/17/the-rise-of-the-unicorn-challenger-bank-youve-never-heard-of-oaknorth/?sh=4fd718ba66f4>

- **Network effect for customer acquisition.** OakNorth claims about 45 percent of its loan originations come from existing clients. This network effect helps to power the banks growth, since it does not do any advertising.
- **“platform-as-a-service”.** Deploys OakNorth’s credit analysis and underwriting expertise with machine learning to enable credit papers, the 30-40-page documents that banks’ credit committees use to make informed lending decisions, to be pulled together in days rather than the weeks it would normally take.
- **Reaching the US via partnerships.** OakNorth does not have a U.S. banking license and can therefore not be the lender of record, so OakNorth will originate, underwrite, transact and monitor loans on behalf of its U.S. lending partners. I.e. New York-based Modern Bank and US bank Customers Bancorp to help support US businesses through Covid-19. Specifically, OakNorth assembles teams to quickly build a bespoke end-to-end solution, which enables Banks, which are participating in the Paycheck Protection Program, to take existing borrowers through the programme within hours.¹⁴⁹

¹⁴⁹

https://www.altfi.com/article/6430_oaknorth-partners-with-new-york-based-modern-bank-to-help-support-us-businesses-through-covid-19

Proposition

Products

- Personal Saving
- Business Savings
- Business loans
- Property finance
- Coronavirus Business Interruption Loan Scheme
- Coronavirus Large Business Interruption Loan Scheme

Features

- Open savings accounts in minutes
- Access to account, balance, interest earned and transaction history
- Withdraw funds

Results

- **OakNorth has a large loan book.** So far has issue around £3bn in outstanding loans across 300 borrowers, which initially aimed to lend a total of £1bn to smaller businesses in five years from 2015.
- **Revenue growth.** Revenue jumped from £160,000 in 2015 to £104m in 2019.
- **Profitable business.** Breaking even in just 11 months, it has made £33.9 million pre-tax profits only in its third full year of operations, almost double it, £66m in profit last year and it expects to be profitable [again] in 2020.
- **Over \$1 Billion of funding raised to date,** ranking it as one of the top five best funded fintechs globally.¹⁵⁰
- **Growth slows.** Despite soaring profits, the lender did see a slowdown in its total loan facilities which had a roughly 145% jump in 2018, yet only rose to 42% at £3.1 billion in 2019.
- **It now works with 17 banks and holds a total of £17.5 billion in assets under management** on its credit platform, which is not yet profitable as a standalone business.
- **Growing deposit customer base.** At the end of 2019, it had 144,000 savings customers (up from 28,000 in 2018) and £2.0bn in customer deposits (68% growth in 2019).¹⁵¹

Success Factors

- **Platform and technology** - The OakNorth Platform assists financial institutions with credit analysis and monitoring solutions. Its cloud-based technology sources millions of data items on SMEs across various parameters, sectors, and markets, and then uses machine learning algorithms to identify data that lenders need to make more informed credit decisions.
- **Portfolio spread across multiple sectors,** which should insulate it from a downturn in any one area — unlike some of its peers in the alternative lending space.
- **“credit science”,** which has resulted in just two borrowers defaulting since it launched in 2015. The defaults represented less than 1% of the bank’s £3 billion in net lending and did not lead to any credit losses. Funding Circle whose average loan amount is £60,000 has had over £60 Million in defaults to date on their £3 Billion loan book.

¹⁵⁰

<https://www.forbes.com/sites/lawrencewintermeyer/2019/04/04/oaknorth-is-europes-most-valuable-fintech-and-in-profit-a-rare-breed-of-fintech-unicorn/?sh=638617c154a2>

¹⁵¹ <file:///C:/Users/gueva/Downloads/AnnualReport2019.pdf>

- **A unique proposition.** in an underserved market, that is clearly working, attracted quality clients to test the proposition, built a quality lending book, broke even in just 11 months and repayed all its accrued losses before it turned two years old.
- **Strong investors interest.** OakNorth has raised \$996.7 m in total funding across 2 funding rounds for a \$2.8 b valuation. Investors include names as Clermont Group and SoftBank Vision Fund.
- **Grow opportunities.** Its platform will enable lenders around the world to originate, underwrite, monitor, and book bespoke loans to SMEs faster, more efficiently and with more rigor, thus replicating the success of OakNorth in the UK.
- **Delivering a highly differentiated service** to a key segment of the market that has historically been underserved by commercial banks. Also the combination of its competitive rates, FSCS-protection, broad range of products, digitally-led proposition and excellent customer service have helped it attract personal deposits.
- **Experienced entrepreneur team.** Both founders, had successfully grown a research company called Copal Amba together before, used some of the millions they gained from the sale of the company to Moody's, the rating and analytics group, to set up OakNorth.

Weak Factors

- **Vulnerable in an economic crisis,** as credit losses rise, and banks' risk-appetite drop and slow the lending-rate. OakNorth's next great challenge is to withstand a market correction to prove the viability of its business model and the strength of its platform's underwriting and monitoring capabilities.
- **Portfolio heavily weighted in property and construction,** much of which has ground to a halt. There are also fears housing prices will drop and real estate may sell below expectations, which could put pressure on OakNorth's book.
- **Business risks.** Whilst OakNorth's management team has through the cycle experience, OakNorth itself has a limited operating history in the UK financial services market and faces risks associated with the implementation of its strategy.
- **Regulation** in regard to capital requirements as a new, fast-growing bank subject to the standardised approach, coupled with the 8 percent Corporation Tax Surcharge means OakNorth has less capital to deploy to grow.



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
Digital Bank of Incumbent (Santander)	Consumer Banking	Successful	TBD

Overview

[Openbank](#), Since its foundation in 1995, it has been a subsidiary of [Grupo Santander](#). It is a financial technology company developing banking solutions. Its products include an automated roboadvisor, a financial aggregator, a card control platform, a password manager databank and more.

Positioning

“You will never bank alone”

Business Model

- Fee-free Current Account proposition. Business model based on several streams of banking products and services including interest and fee income.

Approach to Market

- **Telephone based serviced.** Originally launched as a telephone assistance service for Santander customers in Spain offered little more than a current account and a debit card.
- **Merged and Transformed.** In 2000 Santander acquired financial portal Patagon that combined traditional banking with digital features, such as chatrooms and internet forums. The proposition changed name to Patagon and was supported by 21 branches across the Country. In 2011 it released a banking app, closed branches, and renamed back again to Openbank. From there it became an entire innovation and development project within the Santander Group.
- **Strategic repositioning.** In 2017 Santander repositioned its Openbank brand to play and succeed in the current digital environment. Modified its corporate image, changed products names, launched new web app and platform, and leveraged on its Santander brand.
- **Personalised proposition and wide offering.** The bank wants to make personalised financial services available to people wherever they are and however they want them. Focused on people who prefer an exclusively digital service via mobile phone. Its reboot in 2017 came with an entirely new cloud-based IT system, as well as credit cards, mortgages and robo-advisory proposition. Physical capabilities are also offered as part of the proposition.
- **Global approach.** Openbank is Santander’s, full-service digital bank that covers the day-to-day financial needs of mass and affluent markets with no borders. It is already operating in Spain and expanded in 2019, to Germany, the Netherlands and Portugal. It is planned to scale it to 10

markets in the medium-term, including in the Americas. “International expansion is a milestone for us,” notes Openbank’s CEO, Ezequiel Szafir.¹⁵²

- **Positioning as an innovator.** It is now a 100% digital bank, it was one of the world's first banks to use cloud-based IT infrastructure, making finance management more convenient, simple and fast. And it was also one of the first banks to use artificial intelligence and machine learning technology to enhance security and protection against fraud. The bank has also turned to robo-advisors to develop an automated investment service that combines target-based investment with automated managers.
- **Plans to create a global native digital consumer bank.** Santander announced to drive changes to foster growth. It is to build a global native digital consumer lending business. Joining forces between Santander Consumer Finance (SCF) and Openbank. SCF, Europe’s consumer finance leader, serves over 20 million customers in 15 markets.
- **Differentiated proposition for the Underbanked.** [Superdigital](#), is Santander’s financial inclusion platform that enables them to meet the financial needs of the underserved in a cost-effective way. With a special focus on Latin America, where there are around 300 million unbanked and underbanked consumers, it provides them with basic financial products and a path to access credit, and thus serving them responsibly and profitably.

¹⁵² <https://www.santander.com/en/stories/openbank-the-digital-bank-that-transcends-borders>

Proposition

Products

- Current accounts
- Payroll account
- Saving accounts
- Deposits
- Credit cards
- Prepaid card
- Virtual cards
- Overdraft
- Personal loan
- Mortgage
- Insurances

- Investments

Features

- Open young app
- Expense Categorisation
- Management of Bills and Direct Debits
- Financial Aggregator
- Card control
- Solidarity Transfer
- Calculators
- Instant Transfers
- Goal-based investing

Results

- **Reached 100,000 clients as a telephone-based service.** In 1995 Openbank we initially provided basic services over the phone and reached 100,000 customers in just one country – Spain.
- **Growing number of digital clients.** Santander grew digital customers by 15%, and closed 2019 with 37 million digital customers in the Group, representing 51.7% of active customers. Digital sales increased by 36%. Santander’s digital customers are already more loyal than their branch-only customers and are also 2-3 times more profitable.
- **Raising customer numbers.** Openbank has already doubled its customer numbers to more than 1.4 million compared to 2017 relaunch.
- **Deposits and assets grow.** Payroll accounts product is growing at 16% year-on-year and stands at 115,000 payrolls. Very strong growth trends both in assets and deposits, with mortgage sales growing at 134%, and revenues growing 12% over the last 12 months to the end of 2019.¹⁵³
- **More loyal customers.** Openbank customers are more loyal and engaged, 42% of total active customers are loyal, and these customers on average use 4.4 products versus one to two products in the case of neobanks.
- **And it is profitable.** The bank claims Openbank is outperforming – and outgrowing – European digital banks in deposits and that the solely business is profitable, which should give the bank a steady state around 20% ROE in Europe as it extends internationally.
- **Most recommended bank in Spain.** Spanish bank with the highest recommendation in the Net Promoter Score (NPS) index.¹⁵⁴

¹⁵³

<https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2019/ia-2019-strategia-vision-en.pdf>

¹⁵⁴

<https://noticiasbancarias.com/bancos/19/09/2019/ana-botin-banco-santander-450-mil-de-los-12-millones-de-clientes-de-openbank-nos-consideran-su-banco-principal/192756.html>

Success Factors

- **At the forefront of the group's global strategy.** The openbank is widely supported by the Group as a vehicle to develop global blueprint, which is faster and lower risk and nimbler to develop.¹⁵⁵ Last year committed to invest €20 billion in digital banking and technology in the next four years as it expands OpenBank internationally and creates a unit to take advantage of the growing payments market.¹⁵⁶
- **Openbank's new technology.** In the longer term Openbank's new system could be the germ of a successor to the main bank's legacy system Parthenon. Openbank is fully digital, internationally transportable and based on the cloud. Santander may also be able to expand its online banking services to other lenders in the future.⁴¹
- **Long term strategy fit.** Openbank is getting ready for international expansion, even where Santander does not have a large market share. The OpenBank technology came from a pilot for a back office that might be worthy of a bank like Santander, with 145 million customers in 10 countries. It could be even more easily deployed than Parthenon, both in terms of transferability of the platform and its interaction with financial supervisors in Europe and the Americas, including an application for its EU passporting rights.⁴¹
- **Distinct culture and talent profile** than parent bank. Half of Openbank's 130-odd staff are younger tech people, not bankers. For example, its Argentina chief executive Federico Procaccini, who is spearheading Openbank's Americas strategy, was previously at Google and e-commerce firm Mercado Libre.
- **A Comprehensive proposition.** It offers a superior experience compared to neobanks due to its full suite of products that go beyond the traditional digital current account and simple card.

Weak Factors

- **Time before getting to the right approach.** Santander paid 600 million euros for Patagon to accelerate business through digital, however it ended up closing its brand and, at the end, it had to create Openbank brand almost from scratch. Santander acknowledged the initial investment failed to have an impact.
- **Lost on overall digital businesses.** Santander's new segment Global Platform includes all exclusively digital businesses such as Openbank and lost 120 million last year.
- **Organizational culture.** Diverse cultures across digital brands and traditional Group is a challenge that Santander has to deal going forward. Big efforts need to make inside and outside the group to ensure it keeps pace with today's new scenario and continues to channel its efforts into remaining a leader in global banking.
- **Overcoming internal misconceptions.** One of the primary hurdles Santander could face is overcoming internal misconceptions about the value of an open model. Executives should arm themselves with data about the changing nature of banking and projected revenue from an open API approach.

¹⁵⁵ <https://www.euromoney.com/article/b19xm8xpzvl5r6/openbank-santanders-new-blueprint-for-the-future>

¹⁵⁶ https://www.spglobal.com/marketintelligence/en/news-insights/trending/qu8G6sU7_FUHOsZs607F_g2



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
Digital Bank of Incumbent (BBVA)	Consumer/SME Banking	Successful	TBD

Overview

[BBVA](#) goal was to turn BBVA into a totally digital company, including all their products and services. The transformation began with BBVA building out its core technology platform for digital banking, which has played a key role in scaling customer transactions.

Positioning

“Creating opportunities”

Business Model

- Fee-free Current Account proposition. Business model based on several streams of banking products and services including interest, fees and commissions and trading income.

Approach to Market

- **From analog to digital.** BBVA formed the ‘Digital Banking Area’, which draws on a variety of functional units. The mandate of the Digital Banking Area was to catalyze digital transformation across the entire group. ‘Digital Banking Area’ draws on a variety of functional units, including Marketing, Customer Experience, Technology, and Talent & Culture. The mandate of the Digital Banking Area is to catalyze digital transformation across the entire group,
- **Built a Strong Foundation for Digital Transformation.** BBVA proactively redirected its technology investments from operations to transformation. The bank doubled its investment in building technology capabilities from €1.2 billion in 2006 to €2.4 billion in 2013. It developed a technology platform that allowed it to scale from 90 million transactions a day in 2006 to 250 million transactions a day in 2013. Volumes are expected to reach 1.4 billion by 2020.
- **A multi-pronged approach to Innovation.** BBVA created a business unit called New Digital Businesses. BBVA wants to build a portfolio of companies that are disruptive, under the four pillars build, acquire, invest, and partner. BBVA Open Platform is result of this approach and is a unified development platform providing flexible, scalable infrastructure for financial technology and digital commerce.
- **Engaged with the digital startup community.** With the bank acquiring startups such as Simple and Madiva to beef up its digital banking services. In 2013, BBVA also invested \$100 million to create a fintech-focused venture capital firm called Propel Venture Partners. The strategy behind these moves was to tap into the market of digital customers and to fight disruption by putting customer first.¹⁵⁷

¹⁵⁷ https://www.caggemini.com/consulting-no/wp-content/uploads/sites/36/2017/08/bbva_pov_v6_03-03-16.pdf

- **Symbol of opportunities.** BBVA hit a historic milestone when it changed its global brand identity worldwide, offering a unique value proposition and a common, consistent user experience. which powered by technology and data will help customers in all their financial management. The new brand reflects the bank's purpose: to bring the age of opportunity to everyone.
- **Globally developed mobile banking platform.** BBVA's mobile platform marks the start of a new transformation stage for the Group, with a solution that unifies design, functionality, and user experience. BBVA Bancomer becomes the first BBVA franchise to adopt this new development in its mobile banking solution, which will be rolled out progressively across the Group's footprint.¹⁵⁸
- **BBVA launches first BaaS platform in the U.S.** BBVA has become the first bank in the U.S. to offer a full suite of Banking as a Service products after its [BBVA Open Platform](#) The platform aims to help the Group accelerate its transformation strategy and bring the benefits of digital financial services to all its customers.
- **Applying AI and autonomous solutions** to grow margin and revenue using the most effective channels. Leveraging their data, BBVA personalize communications and systematically maximize sales conversion. 'Intelligent Sales' is not just about business growth, but also about being relevant to their customers and meeting their needs at moments that matter.

¹⁵⁸ <https://www.bbva.com/en/bbva-launches-in-mexico-the-worlds-first-globally-developed-mobile-banking-platform/>

Proposition (Spain)

Products

Personal

- Fee-free Current accounts
- Young account
- Salary account
- Deposits
- Credit cards
- Overdraft
- loans
- Mortgage
- Insurances
- Pensions
- Investments
- Mutual funds
- Extock exchange and markets
- Autorenting

Business

- Fee-free Current accounts

- Cash Management
- Financing
- POS Terminal
- Collected
- Cards
- Insurances
- Endorsements
- Foreign trade
- Renting
- Public sector

Features

- Aggregation service
- Card control
- Pay bills with a photo
- Mobile payments
- Online Fast Loan Without Documents
- Access the app from smartwatch
- Sales monitoring (Business)

Results

- **BBVA digital customer base now stands at 29.7 million.** Which as of June 2019 is a leap of 17% from where it was at the same time last year at 25.4m. This figure represents 54% of the total customer base. A 48% of customers (26.1 million) interact via mobile, up 25 percent from June 2018. Unit sales through digital channels already account for 58 percent of the total.¹⁵⁹
- **Ahead of the curve in digital transformation.** BBVA has reached and pass over the important milestone in its continued drive towards technologically powered banking, with more than 50% of its customers now using its digital channels. and in fact, across its wider business, six of BBVA's 10 core countries have also now passed this tipping point.¹⁶⁰
- **Positive impact on customer satisfaction and engagement levels.** Since 2017, BBVA has led the Net Promoter Score (NPS) index in Spain and customer attrition rate has dropped 18%. All this in the context of a new, more efficient distribution model. In fact, operating costs in Spain have dropped 8% over the past two years.¹⁶¹
- **The world's best banking app for the third year in a row.** The report from Forrester stated that the BBVA app had "a superb balance between useful functionality and excellent user experience." BBVA "customers can complete a wide range of tasks through the app, which also offers a range of next-generation features such as [BBVA] Valora.
- **A more efficient relationship model.** BBVA Spain has grown its customer base. It has also increased client satisfaction and retention by using a more efficient relationship model, which has lowered operating expenses, -8%, in two years Jun'17 vs Jun'19.¹⁶²

¹⁵⁹ <https://www.bbva.com/en/results-2q19/>

¹⁶⁰ <https://www.bbva.com/en/bbva-reaches-global-digital-tipping-point/>

¹⁶¹ <https://www.bbva.com/en/ahead-of-the-curve-in-digital-transformation/>

¹⁶² <https://www.bbva.com/en/results-2q19/>

- **Strong Operating Income growth**, +13.5% vs.3Q19 in a difficult environment, driven by core revenue growth and very strong cost control.

Success Factors

- **Technological advances.** Interconnectivity thanks to mobile technology; the Internet of Things and big data; technological infrastructure like cloud computing and blockchain, which allows BBVA to avoid lots of intermediaries; and lastly, automation and artificial intelligence.
- **Applying AI and behavioral economics.** By tailoring the products and the way they were presented to specifically **fit the customer’s financial needs** and how they access the bank in the first place, in Spain alone, for some campaigns it led to a nine-time increase in digital sales.
- **A Comprehensive proposition.** It offers a superior experience compared to neobanks due to its full suite of products for individuals and businesses alike, which go beyond the traditional digital current account and simple card. A hybrid model that combines digital channels with personalized advice from remote financial advisors.
- **Golden triangle of working between business, technology, and design.** Key to BBVA success has been attributed to a completely new way of collaborating across disciplines, while encouraging their employees across functions, departments, and job titles to think like designers.¹⁶³
- **A major advantage over new competitors.** BBVA have robust information on customers, and their confidence as a solid and traditional institution that have modernized and prepared to the current digital environment.
- **Customers at the heart.** BBVA wants to help its customers become aware of their financial health, control their expenses and understand their personal finances. As an example of this, he pointed to “BBVA Bconomy” – a function in the bank’s app and website that allows customers to measure their financial health.
- **Changing the corporate culture.** External competitors have been a source of cooperation within the BBVA fintech ecosystem. The strategy that BBVA has followed with Simple in the U.S. and Holvi in Finland, for example. This new culture looks to improve customer experience and encourage collaborative work as a means to explore collective intelligence and knowledge.
- **A vision of their future.** BBVA has partner through Open Banking capabilities in a partnership with a Bigtech companies such as Google and Uber. BBVA USA announced that it is collaborating with Google to offer consumers a digital bank account through Google Pay, continuing its focus on innovation in the financial industry.¹⁶⁴

Weak Factors

- **May need more investment in new technologies.** Given the scale of expansion and different geographies the company is planning to expand into, BBVA needs to put more money in technology to integrate the processes across the board. Right now the investment in technologies might not be in line with the vision of the company.
- **Significant exposure to emerging economies.** significant influence that exposure to less stable and weakening emerging economies has on the group's overall risk profile and its profit generation capabilities. his is combined with a deteriorating operating environment in its home country of Spain where the economic fallout from the coronavirus crisis is expected to be among the most severe in Europe.

¹⁶³ <https://www.invisionapp.com/inside-design/bbva-digital-transformation/>

¹⁶⁴ <https://www.bbva.com/en/bbva-usa-announces-collaboration-with-google-to-offer-digital-bank-accounts/>



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
Bank of Incumbent (Clydesdale Bank)	Consumer Banking	Failure	TBD

Overview

B was a banking brand in the United Kingdom which operated between 2016 and 2019 as a trading division of [Clydesdale Bank plc](#). B focused on app-based banking and computer learning of personal finances to help customers manage their money, with a selling point of consistently low interest rates and no foreign transaction fees.

Positioning

"Say hello to brighter money"

B as a brand that balances the needs of its clientele's businesses and lifestyles

Business Model

- Free account offering. Low margin business with income generated from interchange fee and interest from credit cards.

Approach to Market

- **Paired accounts.** B offers app-based current accounts that are paired with a savings account, so to open the instant savings account, customers had to first open a current account with B – which also gives them a small rate of interest.
- **Extending offering into the SME segment.** B bid to grow its own profile and in 2018 launched a physical B Works offering. The new line was aimed at enhancing the support offered to SME customers, incorporating co-working into the bank's new B Works store in Manchester.¹⁶⁵
- **B store strategy. B currency, B safe, B Smart.** The store concept, encompassing co-working spaces, venues for events, concerts and more, represents a new kind of high street bank, and one tailored to their customers' needs. A store featuring the latest technology that lets the branch bridge the physical and digital worlds. It offers space for consumers and SMEs to learn, work, bank and exercise. In addition, the branch features a wide range of free in-house facilities.
- **Clydesdale Bank and Yorkshire Bank (CYBG) rebrands as Virgin Money.** [Virgin Money](#) teamed up with B, Clydesdale Bank and [Yorkshire Bank](#) back in October 2018. In September 2019, they were formally given the go-ahead to bring the businesses together creating one bank with over 6.4 million customers. The B is the first brand to get the Virgin Money makeover. CYBG bought Virgin Money for £1.7bn.

¹⁶⁵ <https://www.consultancy.uk/news/18570/deloittes-market-gravity-helps-cybg-develop-b-works-proposition>

- **From B to Virgin.** Leveraging an iconic brand but keeping positioning. It was about creating a national, consumer brand, not focused on finance. It wanted to become a much-loved consumer brand, one that takes the fear out of finance and the Virgin brand was the most powerful. The names of accounts have changed, from B to Virgin Money, but it will work exactly the same for now. The B app still can be downloaded and used. There is a new Virgin Money version coming.¹⁶⁶ The new Virgin Money brand keeps the “*Say hello to brighter money*” slogan and positioning from B.
- **National scale.** With this deal, the focus shifts to a more traditional form of competition, where CYBG grows its business to a sufficient size to take on the incumbents at their own game. It brings together the complementary strengths of two successful challenger banks to create the UK’s first true national competitor to the large incumbent banks.¹⁶⁷
- **Full-service, digitally enabled capability.** Leverage the iB platform to deliver an enhanced digital customer experience. All CYBG banking products are integrated digitally on the iB platform.

¹⁶⁶ <https://www.youandb.co.uk/virginmoney/>

¹⁶⁷ <https://www.virginmoneyukplc.com/resources/c36b9cd3-6b1f-4b75-ac8a-e64d4dc858ae/2018-06-18-ASX-Investor-Presentation-BIOS-VF.PDF>

Proposition (Fee Free)

Products

- Current Account
- Saving account
- Debit card
- Credit card

Features

- Tags all your spending into categories
- Set up Savings Pots
- Smart budgeting
- Money saving tips
- Accounts aggregation
- Manage credit cards limits

Results

- **Strong Net Promoter Scores for both our B and Virgin Money brands**, an NPS on the B account of +35 in Q2 2020.¹⁶⁸
- Digital bank continues to grow and new services added to B Store.
- **An integrated, flexible and scalable platform.** All retail and sme customers are on a single platform. Real time trusted data & Customer insight are key features from the iB platform.
- **Track record of integration and capability delivery.** Key achievements include: the migration of c.2m CYBG Retail customers onto our iB platform. Business banking being migrated to iB in 2018.
- beginning first Fintech partnerships; and being the first challenger bank to offer an Open Banking enabled current account aggregation service.
- **Agile capability delivery.** First challenger bank to offer an aggregation service. Launched in April 2018, now 1.1m customers have Open Banking functionality which enables them to use their app to connect to accounts from other banks. Also, first to offer mobile cheque clearing service.

Success Factors

- **Good app review.** 4.7 out of 5 rating in the App store coming from 21k reviews and 4.2 in Google Play. Moving money is quick and easy through its app.
- **Scale for future approach.** With the new acquisition the bank gains sufficient scale, have the strong brand, the products, and the technology to challenge traditional big 4 banks in the UK. The combined brands have £84bn of assets and £70bn of customer loans, £58bn of which is made up of mortgages – double the size of any challenger bank.¹⁶⁹
- **Wider proposition.** The Virgin Money brand allows to access to a wider option of products, services and technology for the young population that searches mobile first services, not previously available for the B brand. A full-service Retail & SME offering.
- **Leveraging CYBG's flexible and scalable technology - iB platform.** Wider and deeper customer base benefitting from iB platform capabilities and customer experience. Greater scale will allow increased investment in platform, improving user experience. For example, developing a SME digital proposition using their market-leading iB platform.
- **New partnerships opportunities.** Potential to build unique partnerships with other Virgin companies to offer innovative products to the enlarged customer base. While leveraging already delivered FinTech partnerships i.e. [Go compare](#), [Salary Finance](#) and [ezbob](#).

Weak Factors

- **Limited products and features** – There was only one option for current accounts and saving – B's instant savings account, and it doesn't offer the biggest return on your money.

¹⁶⁸ <https://www.virginmoneyukplc.com/resources/04ae5cb8-bf1e-4ac5-9bd2-14860b8d3e66/interim-results-announcement-2019.pdf>

¹⁶⁹ <https://www.which.co.uk/news/2018/10/virgin-money-cybg-takeover-completed-what-it-means-for-you/>

- **Crowded and mature market** – There are plenty of players and apps from both fintech challengers and well-established lenders in the UK. In fact, it is the same reason N26 pulled out of the UK and that is a far cry from Monzo's 3.5 million signups at the time of the bank closure.
- **Low brand awareness.** The B brand was young and was not able to get too much traction. With the new merging strategy, the Virgin brand was far the most aligned to the new bank positioning and had the most awareness and recognition from UK customers.



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
FinTech	SME Banking	Successful	TBD

Overview

[Qonto](#), launched in July 2017, offers online banking services to freelancers and startups and allows replacing business banking accounts. Apart from offering accounts and payment cards, it also provides features that make banking and accounting easier for SMEs. Like, tracks expense, detects VAT, and makes bookkeeping.

Positioning

“The neobank for SMEs and freelancers”

Their mission is: *to create the finance solution all businesses love through technology, elegant design, and an outstanding sense of customer care.*

Business Model

- Income generated from subscription pricing plans for current accounts and affiliated program with business partners

Approach to Market

- **A regulated payment institution approach.** Qonto is not a bank but a payment institution supervised by the Banque de France. Customers' funds are secured with their partner Cr dit Mutuel Ark a and unlike a traditional bank account, Qonto does not allow cash deposits, does not invest its clients' money, and does not offer loans or overdraft authorization.
- **Qonto partnered with [Treezor](#) for the back end.** Treezor is a BaaS provider owned by Soci t  G n rale. The company is managing the money. It generates current accounts and debit cards for Qonto. On the other side of the equation, Qonto tailors the experience and handles the relationship with its own customers.
- **A business account designed to suit each company size.** Qonto offers three pricing plans, ranging from €9 per month to €299, to cater for companies with up to 500 employees, but the average size of business customers is around 10 people.¹⁷⁰
- **Focus on SMEs and Freelancers.** It serves freelancers, start-ups and small- and medium-sized businesses (SMBs) across Europe. Special services for company creation. Their versatile design adapts to all types of companies, for any legal form or team size.
- **The sell is an easy one - we save you time and money.** Qonto offer accounts which take minutes (not weeks) to open, integrate with the kind of accounting and payments software their

¹⁷⁰ <https://sifted.eu/articles/sme-small-business-banking-startups-europe-compared/>

customers are probably already using (such as Xero and iZettle), and help them keep track of their finances in the user-friendly manner now common with consumer digital banks.

- **International strategy from the start.** In 2017 Qonto was launched in France. And only two years later, it extended to three new markets: Germany, Italy and Spain. Focus is now in extend their leading market position in France while accelerating growth in the three new markets. The objective is increase customers, strengthening the product offering, while also better adapting their proposition to the local markets.
- **Partnering to wider offering.** Along with accounting and payments software from third parties, Qonto has partner with [Kantor](#) to offer FX management and international payments to their range of financial solutions. Qonto has integration with Apple and Android Pay in its pipeline.¹⁷¹ “Our intention is not at all to reinvent everything or rebuild everything from scratch.” Alexandre Prot, chief executive and founder of Qonto.
- **Partnering to bring new customers.** For Qonto, partnerships are also a useful means to acquire new customers. A third of its customers are incorporating companies, and a third of those companies come to Qonto via [LegalStart](#), a platform which helps people incorporate a company online. Accounting firms are also a big source of referrals, and is, as a result, is working on some new integrations with accounting software to improve the service for accountants.
- **Make their apps the one-stop-shop.** Qonto is rolling out new products (payment services, bookkeeping, team collaboration tools, and much more) to make their apps the one-stop-shop for all a company’s banking and admin needs. Some of these features they are building in-house, but for many, they are looking to specialists.
- **Intends to become a fully licensed European bank in 2020.** In 2018, obtained Payment Institution license, and since then it has been building their own Core Banking System. Which could allow it to add more products like credit cards, overdrafts, and small loans, and open up more revenue streams.¹⁷²
- **Focus on building community.** Before Qonto was even launched, their teams spent hours with hundreds of entrepreneurs to understand their practices, needs and, of course, their frustrations. This is how they were able to build their product and launch their service. Two years later, users are still their number one priority. “*We would rather have a community that knows us and trusts us.*”¹⁷³

¹⁷¹ <https://sifted.eu/articles/sme-small-business-banking-startups-europe-compared/>

¹⁷² <https://www.businessinsider.com/qonto-to-expand-small-medium-sized-business-operations-2020-1?IR=T>

¹⁷³ <https://qonto.com/en/blog/community/community-better-product>

Proposition

Products

- Business account
 - Freelancers
 - SMEs
 - Company creators
- Debit cards
- Virtual cards
- Accounting
- Team expenses
- Finance management
- Multi accounts
- Lock and unlock your card instantly
- Cheque deposits
- Business banking account comparator

Features

Results

- **5.000 business customers six months after launch**, were using the service and in April 2018, Qonto had more than 10,000 clients (mostly services companies with between 1 and 150 employees, including Heetch, Happn, and La Cordée, to name a few and also freelancers).
- **Today more than 120,000 businesses have chosen Qonto.**¹⁷⁴ Qonto has almost doubled the number of customers since the end of 2019, when it counted with 65,000 businesses. Qonto in France grown from 15,000 small business customers in 2018 to 40,000 at the end of 2019.¹⁷⁵ It also last year doubled number of customers in its international markets.
- **€10 billion in transaction volume in 2019 alone.** In November 2018, Qonto announced that it had exceeded 3 billion euros in transactions processed since its launch, in 2019 Almost tripled.¹⁷⁶ In Italy alone, since its launch in May 2019, Qonto transactions volume was over €142 million. Eight months later, the activity in Italy grown up to €900 million value in transactions.
- **The company's revenues quadrupled in 2019** compared to 2018.¹⁷⁷
- **Gains global reputation.** The start-up also strengthened its notoriety through a fundraising of 104 million euros in January 2020, a record for a French fintech.
- **Total funding raised 136 million** from key experienced investors that could allow Qonto Accelerate growth, international expansion, and talent recruitment.
- **Outstanding customer satisfaction.** 4.7 score in App Store and Google Play and 4.6 in TrustPilot; With 81 percent of reviews classifying it as excellent.
- **Qonto is aiming for (and currently achieving) an NPS of more than 60.** Compared to -10% in the banking sector: this difference proves that Qonto clients are not only fully satisfied with their neobank but, in addition, and unlike traditional players, they recommend it to others.¹⁷⁸

Success Factors

- **Taking the lead in the SME segment.** Majority of neobanks are consumer-focused, leaving room for Qonto to cement a lead among the SMB and freelancer segment. Establishing a niche in an area where there is less competition could be a good profitability play down the line for Qonto.⁵⁷
- **Autonomy to the Operations team.** To customize their admin interface and perfectly fit their needs. Developers were able to allocate their energy to the product to deliver the best neobank experience.

¹⁷⁴ <https://qonto.com/en/pricing>

¹⁷⁵ <https://sifted.eu/articles/sme-small-business-banking-startups-europe-compared/>

¹⁷⁶ <https://www.businessinsider.com/qonto-to-expand-small-medium-sized-business-operations-2020-1?IR=T>

¹⁷⁷ <https://qonto.com/en/blog/inside-qonto/raising-our-ambitions>

¹⁷⁸ <https://www.assurbanque20.fr/qonto-neobanque-annonce-chiffres-records-10-000-entreprises-clientes-10-mois/>

- **Structured and efficient Growth Team.** At Qonto, Growth and Marketing are one single team to tackle the growth challenges from referrals and acquisitions to retention and revenue creation. A technical team is included into the Growth team to be quicker in managing their projects. They can therefore autonomously build a tracking system, create Marketing Automation campaigns or optimize their landing page.
- **Product built for international markets.** Using French and English as the basis and adapting and localizing skills to better serve local markets. The international teams are also integrated within the grow team. Each area has its role in the European expansion and shares best practices with local teams to implement the first actions in each of the markets.
- **A leading B2B app.** Qonto's app had a much better design than their traditional banking competitors. Their clear and uncluttered interface was a determining factor when we compared them to other players. The mobile app user experience is consistent with the web application.¹⁷⁹
- **Adding partnerships and innovative products.** When Qonto started, feature set was still minimal. The offer of online banking has evolved, its applications are mature, and its range of services more complete.
- **Qonto's affiliate program and partnerships.** Qonto's affiliation and partnerships are a key source of new customers. The affiliated program allows businesses to earn a commission through a referral by placing a tracking link and Qonto graphics on the business site. Qonto's program allows businesses to monetize their traffic, while bringing business to Qonto.
- **Reputable and knowledgeable investors.** Peter Thiel's fund, Valar, and the French fund Alven, historical investors in the neobank, are also participating in this capital increase. Qonto has also surrounded itself with two astute business angels with Taavet Hinrikus, the founder of Transferwise, a British Fintech valued at \$ 3.5 billion, and Ingo Uytendaele, the CFO of Adyen, the Dutch listed FinTech.
- **Solid Funded and backed.** In total Qonto has €136 million raised from international investors with solid Fintech experience, including Tencent.

Weak Factors

- **Limited revenue streams.** Now Qonto has a basic offering, but is rolling out new features, that could allow them to generate new revenue streams and lure bigger customers.
- **Small size of its customers.** Average size of business is around 10 people, which limits Qonto capability to increase income and generate revenue from existing clients. Bigger opportunities are for Qonto from bigger companies with more staff, more stakeholders, more turnover, but also and more complex needs.
- **Limited capacity to support business through the pandemic.** In 2020, in the context of the health crisis, Qonto customers cannot benefit from the PGE (State guaranteed loan), due to the fact that only traditional banks are authorized to distribute State guaranteed loans, while Qonto is only considered as a payment institution only.
- **Vulnerable in an economic crisis.** Despite demand of digital banking services has increased during the pandemic, entering lending in challenging environment creates risks to Qonto. Strong knowledge of how to effectively lend money and run a healthy loan book are key for success.

¹⁷⁹ <https://baguette.engineering/blog/our-review-of-qonto-after-18-months/>



TYPE OF PLAYER	SEGMENT	TYPE OF EXAMPLE	TREND TYPE
FinTech	Consumer Banking	Successful	TBD

Overview

[Bnext](#), launched in 2017, is a fintech company that provides a mobile app to manage money. It allows to create own current account and include other accounts on one platform. The company aims to develop a model that allows to collaborate with FinTechs and is progressively integrating the most leading products in the market to get all available offers on the market.

Positioning

"A new way of living your money"

Business Model

- Core banking account is free of charge for several transactions and a Premium option. Income is generated from interchange fee (0,2%) and marketplace partnerships

Approach to Market

- **A simple and clear proposition.** Customers can open a Bnext account in minutes using a mobile app. A few days later, users receive a payment card. They can then upload money to the Bnext account and send money all around the world. Now marketplace is offered to complement the proposition.
- **For the millennials.** bnext's target audience includes those born between the 80s and 2000s., which includes people over 30 who already have various financial needs, closely linked to new technologies, and open to consumption. Average salary of 1,500 euros and who works in an SME.
- **Positioned as an alternative that allows users to end the bad experiences of traditional banks.** The Startups have begun to approach banks that have been limited so far and want to become an alternative with a friendlier and more modern face. The objective is to try to capture a greater part of the client's transactions to become their main alternative although they emphasize that they are not a bank.
- **Bnext operates in the EU under an E-Money licence**, offering users a card and a linked mobile marketplace offering banking products from select partners. The company also provides an account aggregation feature to manage traditional bank accounts from within the app.
- **Bnext plans to attract customers with cheaper international transactions.** For instance, Spanish customers traveling abroad can withdraw money up to three times per month and spend as much as €2,000 per month without any foreign exchange fee.¹⁸⁰

¹⁸⁰ <https://techcrunch.com/2020/02/05/mobile-banking-alternative-bnext-expands-to-mexico/>

- **Expanding beyond its home country.** Instead of growing across Europe, the company is going towards Latin America. It is currently rolling out its product in Mexico, and 170,000 people signed up to a waiting list. Bnext is going to invite those 170,000 potential users first before opening signups to everyone. The company also expects to expand to other countries in Latin America in the future.
- **Building on culture and links is a great opportunity.** Move to Latin America makes sense for a Spanish fintech due to its cultural or social ties with the continent, while it would have less strategic fit for Dutch or British companies. To these ties, the Latin American market has a lower presence of this type of companies, which is why greater opportunities are observed.
- **Building a financial hub.** Bnext doesn't want to stop at providing a current account with a card. In Spain, the company is building a financial hub to help people manage their money across multiple financial services. Customers can lend money to SMEs and earn interest through lending platform [October](#), save money using [Raisin](#), get a loan, a mortgage, an insurance, etc.
- **Creating a community.** There is something that connects all Bnext users, and it goes beyond the pink card. It is that feeling of being part of a change and being able to participate in it. It is a space where everyone can ask, comment and generate debate about anything related to Bnext product and services.

Proposition (Fee Free)

Products (Spain)

- Current Account
- Premium account
- Virtual card
- Marketplace
 - Investments
 - Travel
 - Loans
 - Insurances

- Energy
- Mortgages

Features

- Mobile payments
- Automated savings
- Budget management
- Cash back
- Medical chat consultation

Results

- **Attracted 400,000 active users in Spain.** Bnext has grown its userbase quicker than anyone else, becoming the leading neo-bank in Spain. In 2017 with a team of less than 10 people, the Beta version of Bnext is released, which get its first 1,000 clients in Madrid and Barcelona. In 2019 reached 300k customers and today has surpassed the mark of 400k active users. The objective is to reach 1 million at the end of 2020.
- **Processes more than 100 million euros in monthly transactions.** Last year processed €430 million across 11.6 million transaction. In 2020 the startup claims to be processing more than 100 million euros each month.¹⁸¹
- **Bnext closes the largest Series A of the Spanish fintech to date.** worth \$25 million, the largest in the fintech sector in Spain to date.

¹⁸¹

<https://startupsreal.com/spanish-fintech-startup-bnext-raises-the-largest-serie-a-financing-in-spain-worth-25/#:~:text=Spanish%20fintech%20startup%20Bnext%20raises%20the%20largest,financing%20in%20Spain%20worth%20%2425&text=Bnext%2C%20Spain's%20first%20mobile%20first,sector%20in%20Spain%20to%20date.>

Success Factors

- **Leadership position in Spain.** The latest funding round brings the total amount raised by the Madrid-based startup to over £43m. Fresh funds to expand its services in Latin America as well as boost its position in Spain.
- **Varied and wider offering.** As the marketplace has grown very rapidly it builds strength of its own network. The platform is engaging and beneficial to customers, new users are coming as it proves to be useful.
- **Young, diverse, and skillful team.** More than half of the workforce is less than 30 years old, and almost half are women, with the aim of building a team capable of providing complementary experiences and skills that allow finding innovative solutions to the challenges faced by each day to improve customer service. Where fit and skills are more important than educational qualifications to join the team.
- **A lightweight structure of expenses** and it keeps reducing the cost of customer acquisition. At a time when practically none of these financial technologies are able to make a profit.

Weak Factors

- **Dependence on other platforms.** To keep continue build their brand and as most financial products are low frequency purchases. The few touchpoints make it a lot harder to build a brand through repeated interactions.
- **High set up cost.** Building the necessary technology stack, advertising to attract buyers and suppliers, and hiring the right employees are just some of the costly activities involved in setting up the marketplace. It may take a substantial amount of investment and time to build up a sizeable revenue.
- **Small size impacts on income generation.** A relatively low figure in terms of income from interchange fee, which increases as the volume of operations increases. Therefore, for these types of companies, the key now is to grow. For this Bnext emphasizes on its free offering and more attractive exchange rate to bring onboard customers.
- **Low scale compared to traditional banks.** Online customers of large Spanish banks totaled 73.9 million users at the end of 2019 compared with 350k users of Bnext last year.