LUISS

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BANK DIGITIZATION: WHICH MODEL IS WINNING IN THE MARKETPLACE BY CONVINCING CONSUMERS THE MOST?

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Introduction

In recent years, the banking sector has undergone a radical transformation due to technological innovation and digitalization. These two factors have led to a true digital disruption, which has profoundly impacted the banking industry. Digital banks have emerged as key players in this new landscape, offering financial services through entirely online platforms and redefining the customer experience. These new forms of banks present a business model very different from that of traditional banks that we have known until now. This phenomenon has not only revolutionized the way people manage their money but has also created new opportunities and challenges for the traditional financial sector.

Digital banks can be divided into two main categories: digital spin-off banks and digital native banks. Digital spin-off banks are entities created by traditional banking institutions to enter the digital market. Examples of this model include Hype by Banca Sella, Widiba by Banca Monte Dei Paschi di Siena, Isybank by Intesa Sanpaolo, and Buddybank by Unicredit. These banks leverage the experience, resources, and reputation of their parent companies, attempting to combine the best of both worlds: digital innovation and the solidity of traditional banks.

On the other hand, digital native banks, such as Revolut and Illimity, were born directly in the digital context and have built their infrastructure and services exclusively online. These institutions have been able to fully exploit new technologies, offering an innovative user experience, reduced operational costs, and greater flexibility compared to traditional banks.

The importance of digital banks in the modern economic context is evident. They represent a response to the growing demand for more accessible, personalized, and convenient banking services. Furthermore, their presence has stimulated competition, pushing traditional banks to review their business models and invest in digitalization to remain competitive. This process has led to a general improvement in the quality of banking services, with significant benefits for consumers.

However, the success of digital banks is not guaranteed and depends on numerous factors. Among these, the ability to continuously innovate, rapidly adapt to market changes, and ensure data and transaction security are crucial. Digital native banks often face the challenge of building trust with customers, while digital spin-off banks must balance innovation with the traditional structures and processes of their parent companies.

This thesis aims to thoroughly analyze the dynamics of digital banks, with a particular focus on the comparison between digital native banks and digital spin-off banks. The business models and key performance indicators (KPIs) of both categories will be examined to understand which type of digital bank will dominate the competitive arena.

The first chapter will illustrate the banking industry, from understanding how a bank operates to the main KPIs of both old and new business models. The evolution of banks and their financial statements will be analyzed, which are necessary for understanding business models and KPIs. The chapter will also explore the drivers and main risk factors considered by various actors supporting digital banks.

The second chapter will present real cases of digital banks, both spin-off and native, analyzing their history, evolution, objectives, and strategies. The spin-off banks analyzed will be Hype by Banca Sella, Widiba by Banca Monte Dei Paschi di Siena, Isybank by Intesa Sanpaolo, and Buddybank by Unicredit, while the digital native banks will be Revolut and Illimity. This chapter aims to analyze how the business models of banks have evolved and what the differences are between the business models of spin-off banks and digital native banks through a comparative analysis. This chapter is necessary to understand the strengths and weaknesses of the two types of digital banks.

In the third chapter, a comparative analysis between digital native banks and digital spin-off banks will be conducted through social listening and manager interviews. The main medium through which a digital bank reaches its consumers is the application; therefore, the third chapter includes a social listening analysis carried out by analyzing consumer reviews of banking applications on major app stores and on Trustpilot. Through this analysis, it will be possible to understand the consumers' point of view, which represents the market demand, and identify the drivers that influence consumers' choice when opening an account with a digital bank. On the other hand, the analysis of manager interviews is useful for understanding the internal perspective on the strengths and weaknesses of the business models of the two categories of banks.

1. *Banks*, their business model and financial statement.

1.1 What is a bank? How does it work?

Banks, along with the entire financial system, represent the “cardiovascular system” of the entire modern global economy. Without it, the global economy would collapse, and the development of the economy and the countries we know today would not exist (Consob, 2024).

A first distinction to make to talk about banks is between central banks and commercial banks.

The central bank is a public institution responsible for the management and implementation of the monetary policy[1] of a country or several countries with the same currency; the main objective in managing the money supply is usually maintaining employment levels or achieving a target level of inflation. The central bank only deals with commercial banks, which can deposit and borrow money[2], and is ultimately non-profit (ECB, 2021).

On the other hand, the commercial bank, which can be distinguished into focused retail, diversified, investment or, (as will be seen in chapter 1.2), has individuals (or businesses) as customers who can deposit money and request loans as typical of the credit industry (ECB, 2021).

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[1] The implementation of monetary policy usually occurs through the control of the money supply (M) and the control of interest rates (i), also known as the "cost of money."

[2] Banking institutions can create money by intermediating between savers and borrowers (both households and businesses). This process can be illustrated through a simplified example. Let's assume a saver deposits 20,000 francs into their bank account. This transaction does not increase the quantity of money in circulation in the economy. Banknotes are no longer available to the public but are held in the bank's vault. However, the saver is credited with 20,000 francs in their account, known as a "sight deposit," which constitutes a form of virtual money available in bank accounts. This form of money can be used for payments like cash and contributes to the money supply.
Banking institutions utilize savers' funds to grant loans at interest. Let's suppose a company needs financing to purchase new computer equipment. The bank lends 16,000 francs to the company, crediting it to their account. This operation increases the money supply. The saver still has 20,000 francs in their account, and now an additional 16,000 francs are credited to the company's account. The money supply, in the form of sight deposits, thus increases by 16,000 francs. If the company subsequently uses the funds to purchase the equipment and the supplier deposits the proceeds back into the same bank, a portion of this deposit can be used to issue new loans, thus continuing the process of money creation (ECB,2021).

The credit industry is based on individuals who, by spending less on consumption (C) than their income (R), have surplus financial resources that need to be transformed into productive resources, and individuals who, to make investments (I) exceeding their income, have a capital deficit. The transfer of these resources between the two agents of the industry occurs through a direct process, in which the one with a capital surplus transfers it to the one in deficit, or an indirect process in which financial intermediaries, including banks, play a fundamental role (P. Biffis, 2009).

Other important actors in the credit industry are non-bank financial intermediaries, who unlike banks cannot finance themselves through the central bank with the so-called “money creation process” (P. Biffis, 2009).

Commercial banks play an important role in the credit industry as they are mainly involved in:

- quantitative transformation: for example, a borrower needs €100,000.00 and the bank aggregates 10 savers with €10,000 each,
- transformation of maturities: for example, the borrower needs 2 years to repay the loan and the bank taps into deposits from multiple clients who can continue to withdraw,
- risk transformation: for example, the borrower cannot repay the debt and the savers want assurances that the bank can provide through its specialization,
- information: i.e., reducing information asymmetry (Iconomix, 2018).

The economic-financial system, based on the credit industry, although irreplaceable, has many vulnerabilities. Over the years, some have come to light, leading to bubbles and financial crises, and subsequent regulations (Consob, 2024).

Banks also have significant limitations, which have increased following the crises in recent years[3], useful for maintaining stability in the entire credit industry. The main prudential limits are:

- The Liquidity Coverage Ratio (LCR) aims to enhance the short-term resilience of banks' liquidity risk profiles by ensuring that they maintain an adequate level of

[3] In particular after the financial crisis of 2008.

unencumbered High-Quality Liquid Assets (HQLA) that can be easily and promptly converted into cash in private markets to meet liquidity needs within a 30-calendar-day period under liquidity stress scenarios. The LCR will strengthen banks' ability to absorb shocks arising from financial and economic strains, irrespective of their origin, thereby reducing the risk of contagion from the financial sector to the real economy. The implementation of the LCR is scheduled for January 1, 2015, with an initial minimum requirement set at 60% and a gradual increase each year, in equal increments, until reaching 100% on January 1, 2019. This progressive approach, along with modifications made to the original version of liquidity requirements published in 20103, aims to ensure that the introduction of the LCR does not significantly disrupt the orderly process of strengthening banking systems or the ongoing funding of economic activity (CBVB,2013).

- The Profitability Leverage Constraint: Net Worth, understood from an accounting point of view as the difference between Assets and Liabilities. A high Net Worth results in a reduction in the bank's risk-taking but also reduces profitability. To avoid excessive risk-taking to increase profitability, this constraint is imposed (Martynova, Ratnovski, and Vlahu, 2020).
- The mandatory reserve constraint: Each commercial bank is required to deposit with the central bank an amount equal to the compulsory reserve ratio for the value of depositors' deposits. This deposited amount cannot be used for investment and speculative operations (Giacobini and Travaglini, 2020).

These constraints are part of the Basel Accords resulting from the Basel Committee on Banking Supervision[4]. The purpose of these agreements was precisely to update international regulations for supervising banks' capital requirements, leading up to the latest agreement known as Basel III. In addition to these constraints, another essential aspect in the creation of financial relationships is the rating (Leotta, 2015).

[4] The Basel Banking Supervision Committee serves as a consultative body that convenes periodically at the Bank for International Settlements, headquartered in Basel. Its establishment in 1974 by the central banks of G10 member countries followed the collapse of Bankhaus Herstatt, a notable event in financial history. Since then, the Committee has worked to support the operations and stability of the global financial system, responding to the need for intervention highlighted by the afore mentioned incident. Its membership includes representatives from banking regulatory and supervisory authorities. Although lacking legislative or regulatory powers, the Committee proposes guidelines aimed at extending international banking supervision regulation and enhancing its effectiveness to ensure system stability. (Leotta, 2015)

1.2 Different types of banks and their business model

The concept of the business model has gained increasing importance among economists and in academia in general since the second half of the 1990s. Evidence of this trend lies in the fact that out of over 1700 publications focusing on the business model between 1975 and 2000, only 166 were published before 1994 (Ghaziani and Ventresca, 2005).

The term "business model" refers to the content, structure, and governance through which each individual enterprise creates value. Amit and Zott (2001) define the business model as depicting "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities."

Alongside the concept of the business model, there exists a standardized graphical representation called the Business Model Canvas (BMC), which will be particularly useful in the present master's thesis. This framework consists of nine "building blocks" representing the Value Proposition, Customer Segment, Channels, Customer Relationship, Revenue Streams, Key Partners, Key Activities, Key Resources, and Cost Structure (Lima and Baudier, 2017).

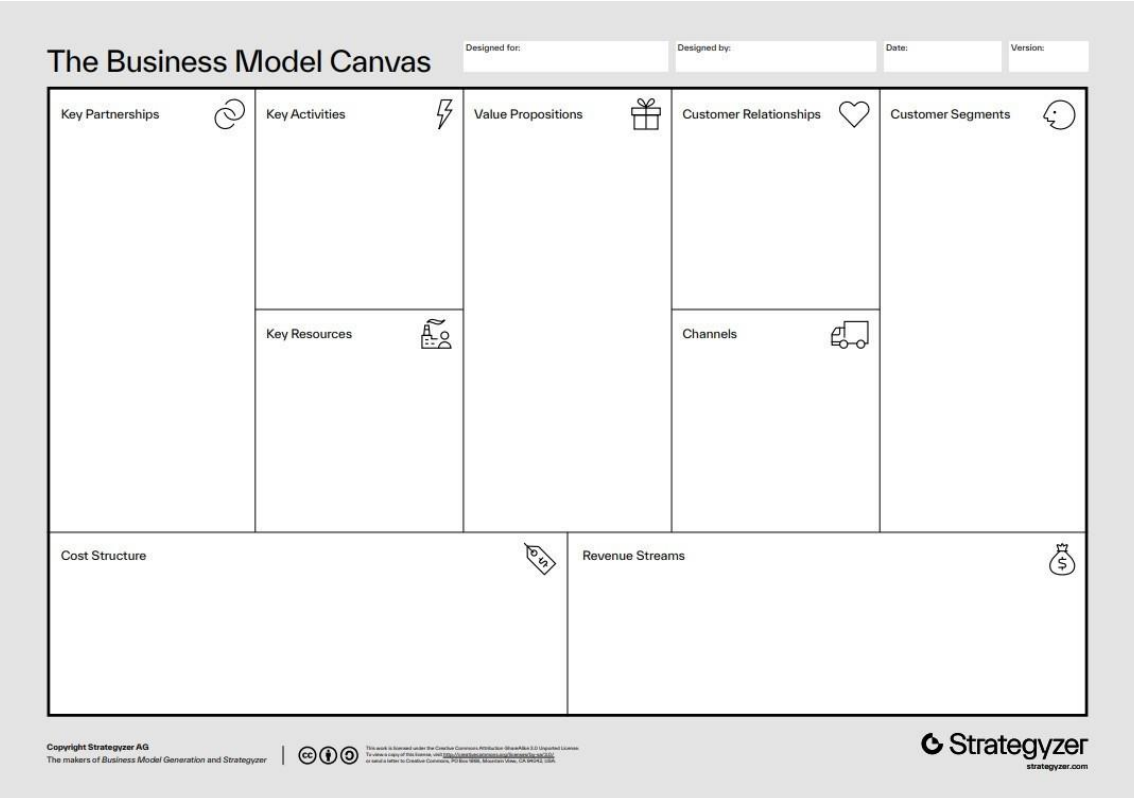


Figure 1: Business Model Canvas Template

SOURCE: Strategyzer (2024)

The analysis of banks' business models has also extended to the banking sector. Focusing on three main issues leads to the identification of three different business models and therefore three different types of banks. The relevant profiles include:

- Products/services offered to customers;
- Approach followed and distribution channels used;
- Sustainable profit drivers[5] (Cavelaars and Passenier, 2012).

Three main business models emerge from these profiles that banks can adopt:

1. Investment bank;
2. Retail/commercial bank;
3. Universal bank.

To distinguish them better, it is useful to utilize a quantitative tool such as the indicator of Loans To Customers as a percentage of Total Assets and Financial Securities as a percentage of Total Assets. For instance, the investment bank has the former indicator below 15% and the latter above 60%, while for the retail/commercial bank, these indicators are respectively above 60% and below 15% (Ötker-Robe et al., 2011). The retail/commercial bank is certainly more customer-based, whereas the boundaries between retail/commercial banks and universal banks appear more blurred, requiring a subjective evaluation of derivative activities, Loan and Security shares, as well as Trading Income compared to Total Revenues (Birindelli & Patarnello, 2012).

In line with a 2010 report from the European Central Bank, the operational landscape within the European Union is characterized by numerous banking institutions with diversified activities. These banks are distinguished by their involvement in a wide range of financial operations. However, it appears that universal banking institutions, which offer a broad range of banking products and services, are relatively few.

[5] The concept of sustainable revenue stream within the business model is understood as long-term sustainability.

In addition to the diversified business model, there is a specialized approach focused on one or a few specific activities. Such banking institutions aim to serve well-defined market segments to gain advantages, especially in terms of cost efficiency and leveraging sector-specific expertise.

Among the banking institutions adopting a specialized model are investment banks. They focus on investment services and financial advisory, often targeting institutional and professional clients. This specialization allows them to concentrate on specific areas of expertise, offering highly targeted and differentiated services in the financial market (ECB, 2010).

A different view of bank business models is developed by the Boston Consulting Group (BCG). Based on a classification proposed in a 2007 study, six distinct business models in the banking sector are examined, focusing on different building blocks and parameters:

- Global Titans and Regional Expansionists: These encompass the largest institutions that adopt strategies of expansion without geographical boundaries or focus on specific geographical areas;
- Domestic Champions: These are banks that enjoy a dominant position in their national markets, specializing in retail banking. They primarily focus on improving customer satisfaction and enriching the offering of products and services;
- Retail-Oriented Attackers: These intermediaries adopt an aggressive approach, focusing on distribution and pricing strategies aimed at attracting new customers;
- Direct Banks: These institutions stand out for their growth through direct distribution channels and the excellence of their IT systems;
- Specialists: These banks specialize in market niches, often focused on specific types of loans or financial services;
- Trading-Up Players: These institutions have a low dependency on credit and operate primarily in the affluent customer segment (BCG, 2007).

Another distinction for bank business models, this time more quantitative, is the one developed by Ayadi et al. among "Focused Retail," "Diversified Retail (type 1 and 2)," "Wholesale," and "Investment." Within the study, to differentiate between business models, the balance sheets of 3287 banks in the European Economic Area (Eurozone and non-Eurozone) are analyzed.

Focused retail banks, diversified retail banks (type 1 and type 2), and wholesale banks are customer oriented. Respectively, lending to customers represents 70.95[6]%, 50.38%, and 68.54% of total assets.

Focused retail banks are more active in Customer Deposits and Lending To Customers; in fact, Customer Deposits represent 71.01% of Total Assets, while Loans To Customers account for 70.95%. Trading Assets and Bank Loans account for only 16.46% and 8.47%.

Diversified retail (type 1) has Trading Assets and Bank Loans equal to 37.4% and 9.86% (therefore higher); while the source of funding depends heavily on customer Deposits and less on Bank Deposits and Debt. A significant portion of the sample analyzed in the study consists of banks of this type.

The diversified retail (type 2) bank has a higher presence of Trading Assets, equal to 22.99% of Total Assets, compared to the Focused Retail model. Additionally, it has many Debt Liabilities, equal to 40.88% of Total Assets.

The Wholesale model is typical of banks involved in interbank intermediation, thus Bank Loans and Trading Assets. For this reason, the values are respectively 48.07% of Total Assets and 17.93%. Equity is particularly high for a bank (16.40% of Total Assets). Very close to this value are the Investment banks, which have a parameter equal to 14.78% of Total Assets. Wholesale banks, representing a very small part of the sample analyzed, have Customer Loans equal to 26.20% of Total Assets and Deposits plus Interbank Debt equal to 16.38% of Total Assets.

Investment banks, usually larger in size, specialize in Trading Assets and derivative exposures, representing 68.73% and 5.38% of Total Assets, respectively (Ayadi, R. et al., 2019).

[6] All the values reported subsequently represent the average of the values of the 3278 banks analyzed in the study by Ayadi et al. in 2019.

(mean)	Bank Loans (% Total Assets)	Customer Loans (% Total Assets)	Trading Assets (% Total Assets)	Bank Liabilities (% Total Assets)	Customer Deposit (% Total Assets)	Debt Liabilities (% Total Assets)	Derivative Exposures (% Total Assets)
Focussed retail	8,47%	70,95%	16,46%	12,98%	71,01%	5,95%	0,19%
versified retail (type	9,86%	50,38%	37,40%	12,15%	71,96%	5,98%	0,41%
versified retail (type	6,26%	68,54%	22,99%	9,98%	43,68%	40,88%	1,41%
Wholesale	48,07%	26,20%	17,93%	16,38%	60,18%	6,74%	0,56%
Investment	10,21%	16,48%	68,73%	11,36%	38,02%	31,27%	5,38%

Table 1: Descriptive statistics for business model

SOUCE: Ayadi et al. (2019)

1.3 Evolution of retail banks

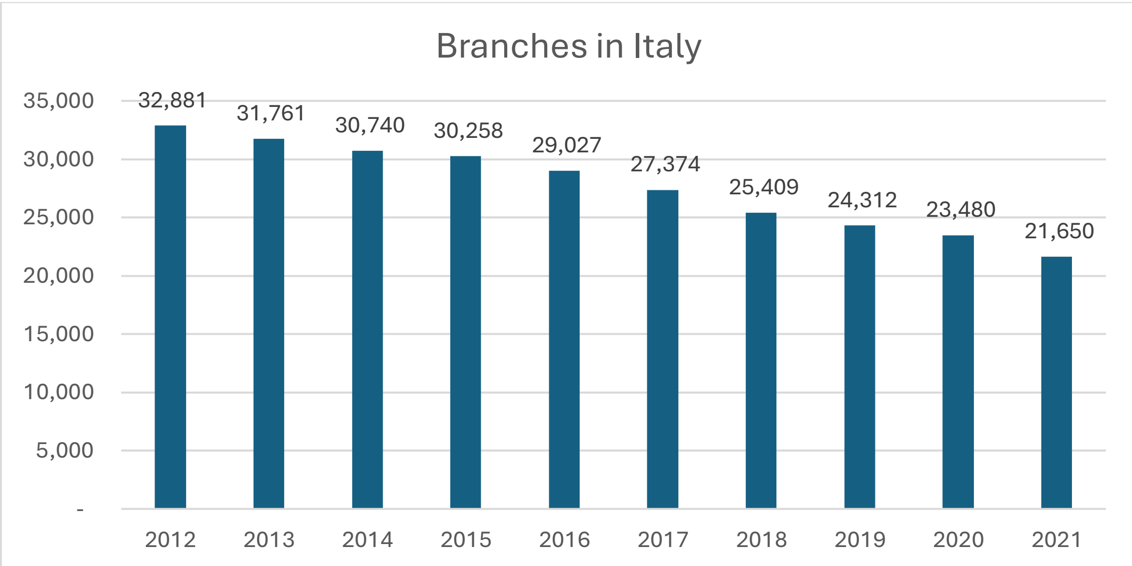
In the previous chapter, we understood which banks are more customer-oriented, which is of greater relevance for the following thesis project. This type of bank has undergone significant changes over the past twenty years. With the advent of digitization, the strategies of retail banks have undergone substantial transformations. According to a Working Paper from the ECB in 2023, the development of digital platforms could, in the long run, "disintegrate[7]" the traditional business model as we know it; for instance, specialized financial service providers[8] can easily bypass the bank as an intermediary (Dedola et al., 2023).

According to a study by Ernest & Young in 2023, new tools have been created that retail banks must necessarily have to survive in the new market. Firstly, having a clear understanding of what needs to be achieved with the transformation is necessary ("redefine transformation"). Subsequently, having continuous "inspiration and lead from the top," carefully selecting personnel useful for the transition ("Reorchestrate talent and invest in people"), and "repositioning for agility at scale" are crucial (Bellens et al., 2023).

Banks began the digitization process early on by shifting some basic operational activities, such as transfers or checking one's current account, to digital platforms commonly referred to as "online banking."

[7] This is the digital disruption
[8] For example, platform specialized in investment like eToro, Trading212, Plus500.

The Covid19 pandemic has had a significant impact on consumers and bank strategies. Banks were able to respond efficiently to the global lockdown thanks to digital tools invented and implemented in the last two decades. The pandemic served as a stress test for businesses but also as an event that made everyone realize the importance of digitizing all processes to maintain competitiveness and implement efficiency. For banks, it is noticeable that almost all customer segments, regardless of age, had to embrace digital services, such as online banking. The forced migration[9] of customers to digital platforms has further accelerated a trend that retail banks had already been following since 2008: the reduction of branches, which represent a significant cost (KPMG, 2021). The presence of this trend is confirmed by a 2023 study by ABI, which notes a 34% reduction in branches in Italy in less than 10 years and a reduction in the ratio branch on 100.000 citizen of 37% in 13 years (ABI, 2023).



[9] During the pandemic period, the operation of branches was reduced by 90% in favor of digital platforms.

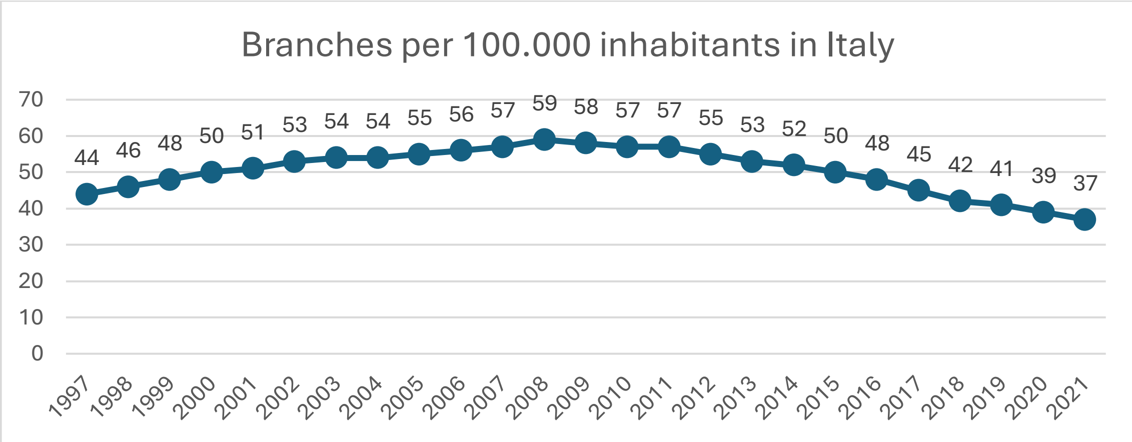


Figure 2: branches in Italy

SOURCE: ABI (2023)

According to studies by Accenture s.p.a., the trend of reducing branches is evident when looking at the numbers. Banks listed in the IBEX35[10] had 9910 branches in 2021 and 9570 in 2022; in the United Kingdom, branches decreased by 26% between 2014 and 2019; in Germany, during the same period, they decreased by 10% (Abbott, M et al, 2021,2023). The countries that invested first in digital platforms and adopted them quickly at the expense of physical branches are the Nordic EU countries, such as Sweden, Denmark, Norway, and Finland. The collaborations between major banking groups and fintech companies or startups have been crucial (Abbott, M et al.,2023).

Data regarding consumption patterns in the banking sector highlight a distinctive trend: although digital channels are widely used to access basic banking services, there is a preference for face-to-face interactions when it comes to value-added services. In this context, bank branches play a crucial role, becoming true competence centers where specialized staff offers a wide range of financial and related services, such as savings management, insurance, and financing. This strategy is based on enhancing customer relationships, as it allows for the building and maintenance of strong ties over time. Less frequent interaction requires a targeted approach to customization and service excellence, making branches focal points for offering tailor-made solutions and in-depth consultations. In summary, the evolution of the banking sector is not limited to digitization but also includes a renewed focus on the quality of human relationships and

[10] IBEX35 is an index comprising the 35 most liquid Spanish stock traded in the Madrid Stock Exchange.

the specialization of services offered, to fully meet the needs and expectations of customers (KPMG, 2021).

The evolution of traditional banks in providing their services digitally has brought about numerous advantages. Specifically, the ability to leverage data obtained from monitoring customers on online platforms has heightened customer engagement in banking activities (Fung, 2008). The recent technological innovation of artificial intelligence has further enhanced these mechanisms of data collection, monitoring, and analysis to increase customer engagement within banks. Artificial intelligence is particularly utilized to enhance the overall customer experience. Sheth's 2022 paper focuses on the utilization of AI in emerging markets, where customers need to be educated from scratch and introduced to banking services. Through AI, it is possible to offer personalized products (investment, payment, etc.), enhance interaction with highly evolved and less mechanical chatbots, thus overcoming typical issues of internationalization such as cultural differences (Sheth, 2022).

The utilization of digital platforms is not merely an Italian trend but a global one. While the development of digital platforms was not a priority for banks in the past, it has now become crucial not only to develop standard platforms but to develop them in the most advanced manner possible to become the leading platform. In the United States, 90% of young consumers and 50% of seniors prefer using digital platforms for routine banking operations. Similarly, in the United Kingdom, the figures stand at 85% and 50%, respectively. In Canada, 80% of the population prefers using digital platforms, and in recent years, 37% of Canadians have transitioned to digital banking (Altynpara, 2022).

1.4 Financial statement of a bank

The balance sheet is an accounting document of technical synthesis drawn up periodically for informational purposes, regardless of the legal form or size of the company. Its main purpose is to communicate to various stakeholders[11] the accounting information relevant

[11] A broad range of internal and external individuals with vested interests in the company.

to the individual financial year, demonstrating the company's ability to generate wealth through its management activities (Bocchino et al., 2013).

"The balance sheet [...] is thus a model for representing the economic, financial, and patrimonial outcomes of management. Through its reading, it is possible to arrive at the measurement of the 'wealth produced,' and consequently, the period income indicated in the balance sheet represents the reference basis for its distribution among those who have participated in the company" (Ferrero et al., 1983).

There are some important differences between financial statement of companies, and financial statement of banks. The Article 2423 of the Italian Civil Code regulate the financial statement of companies, which consists of the Balance sheet, Income Statement, Cash Flow Statement, and Explanatory Notes.

In banking the law system becomes more complex. In fact, in Italy the role of the legislator in implementing international regulations has been carried out by the Bank of Italy. Alongside the International Accounting Standards (IAS/IFRS), the following regulations apply:

- Regulation (EC) No 1606/2002: the purpose is to facilitate the free movement of capital, a pillar of the EU, within the Eurozone. In this way, companies from different States can operate in a situation of balance and equity;
- Legislative Decree 38/2005, which extended the application of IAS/IFRS from 2006 not only to banks but also to other financial companies under the supervision of the Bank of Italy;
- Circular of the Bank of Italy No. 262 of December 22, 2005 (updated for the sixth time on November 30, 2018), which outlines the schemes and rules for compiling bank balance sheets, in compliance with IAS/IFRS. The bank’s financial statement consists of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Notes to the Financial Statement and Management Report.

The informational function of the balance sheet assumes an even more important role in the credit industry and in banks. The current monetary system relies on the trust that citizens have in banks. The bank balance sheet is necessary to increase reliability by reducing informational asymmetry with greater transparency. For this reason, and due to the presence of a wide variety of stakeholders[12], bank balance sheets are more regulated and may be more complex (Bocchino et al., 2013).

The balance sheet of a bank is, indeed the outward, representation of its solidity, profitability, and ability to face more or less positive cycles. Total Assets are, for example, a parameter used in many supervisory institutions (when discussing the division between "significant banks" and "non-significant" ones, Total Assets above or below 30 billion is one of the elements on which this distinction is made); furthermore, Total Assets are important when banks must contribute to the deposit guarantee fund (Miskin, F. et al., 2019).

The banking sector, along with the insurance sector, following globalization, falls among the sectors where there is a greater need for the application of International Accounting Standards (IAS/IFRS) (Bocchino et al., 2013).

Financial statement of a company (Art. 2423 cc)	**Financial statement of a bank** (Circular of the Bank of Italy No. 262 of December 22, 2005)
Balance Sheet	Balance Sheet
Income Statement	Income Statement
Cash Flow Statement	Cash Flow Statement
Explanatory Notes	Statement of Changes in Equity
	Statement of Comprehensive Income
	Explanatory notes (and Management Report)

Table 2: Differences between Financial statement of a company and of a bank

SOURCE: Bocchino et al. (2013)

[12] The stakeholders of banks can include shareholders, citizens, the government, financiers, businesses, consumer organizations, institutional funds, in addition to the normal stakeholders that exist in all types of companies.

The Balance Sheet of a company and of a bank must comply with a mandatory scheme defined by the Civil Code, consists of the set of Assets, Liabilities, and Equity. In the case of a bank, in accordance with IAS 1, Assets and Liabilities are recorded in the balance sheet following an order of increasing or decreasing liquidity, which is more representative compared to the typical current and non-current scheme.

The income statement represents the "economic" situation and reports the income results of the financial year both in banking and corporate contexts. The scheme is in tabular form, with positive income items (revenues) reported first, followed by negative ones (costs).

The Cash Flow Statement, mandatory for all types of banks and only for some type of corporation, is the scheme of cash flows variation recorded in the reference period. It can be drafted in the direct or indirect way depending on depending on the accounting standards adopted in the country in which the company operates and the preferences of management.

The statement of changes in Equity, mandatory only for banks and financial institution, reports the effects of changes recorded in equity items. Equity is the main component of the capital adequacy ratio, so this statement is highly relevant for supervisory control bodies.

Also the Statement of Comprehensive Income is mandatory only for banks and financial institution and it represents a fundamental tool for analyzing the economic performance of banks. It combines various items of income, providing a holistic view of the bank's ability to generate profit. This statement plays a key role in bank balance sheets, fulfilling various functions:

- Profitability analysis: It allows measuring the bank's ability to generate profit through various sources, such as credit intermediation activities, securities management, and investment services.
- Management balance evaluation: It offers an overview of the components contributing to the economic result, allowing identification of any imbalances or critical areas.

- Control and monitoring: It allows supervisory bodies and investors to monitor the performance of bank profitability and assess the solidity and efficiency of the institution (Bonacordi et al., 2014).

Moreover, the Explanatory Notes have a descriptive and informative purpose regarding the items of the Statement of Financial Position and Income Statement. The Notes to the Financial Statements follow a precise schema:

Part A	Accounting policies
Part B	Information on the Statement of Financial Position
Part C	Information on the Income Statement
Part D	Comprehensive income
Part E	Risk information and related hedging policies
Part F	Information on equity
Part G	Aggregation operations concerning companies or branches of companies
Part H	Operations with related parties
Part I	Payment agreements based on own equity instruments
Part L	Sector information
Part M	Leasing information

Table 3: Notes to the Financial Statement scheme

SOURCE: (Bonacordi et al., 2014)

In some cases, the balance sheet may include a management's discussion and analysis that provides an overview of the bank's management during the accounting period, highlighting financial performance, business strategies, and future prospects.

1.5 Key Performance Indicator

KPIs, emerging in recent scientific literature, represent a multidimensional tool vastly different from simple metrics. Their multidimensionality lies in the linkage between KPIs and the objectives defined in the business strategic plan by top management (Eckerson, 2009). KPIs are frequently utilized to assess the degree of strategy implementation. According to Gershun and Nefedeva (2005), they enable the monitoring of the strategy implementation process and the adaptation of the strategy when necessary. Moreover, KPIs provide a basis for budget planning and administration evaluation, as well as for personnel performance assessment.

Due to the multidimensionality of KPIs, it was necessary to devise a tool, the Balanced Scorecard (BSC)[13], capable of integrating all these indicators and representing them clearly. Hoque (2013) describes the initial objective of the Balanced Scorecard (BSC) as conceived by Kaplan and Norton: the BSC emerged to overcome some common deficiencies in traditional indicator systems. Kaplan and Norton's study conducted in the 1980s on 12 large US companies revealed that achieving short-term indicators in these companies inevitably leads to a reduction in training, marketing, and customer support costs, with negative impacts on the overall financial position of the organization. Kaplan and Norton developed the concept of the BSC after concluding that employees in sample companies often do not understand their roles in the business strategy implementation process and, consequently, lack motivation to promote the organization's long-term goals (Gershun and Nefedeva, 2005).

The BSC represents a strategic and operational management tool, allowing the association of the organization's strategic objectives with its internal processes and employee activities at all levels, in addition to monitoring the strategy implementation process (Gershun and Nefedeva, 2005). Over more than 20 years since its creation, the BSC has generated considerable interest in both academic and business communities (Barnabe and Busco, 2012; Kraus and Lind, 2010; Salterio, 2012) and has become widely accepted as a tool for evaluating organizational performance within four perspectives:

- Financial;

[13] Invented by Robert Kaplan e David Norton (Hoque, 2013)

- Customer;
- Internal processes;
- Learning and growth.

The objectives of the BSC are interconnected within the strategy map, which provides a holistic view of the enterprise.

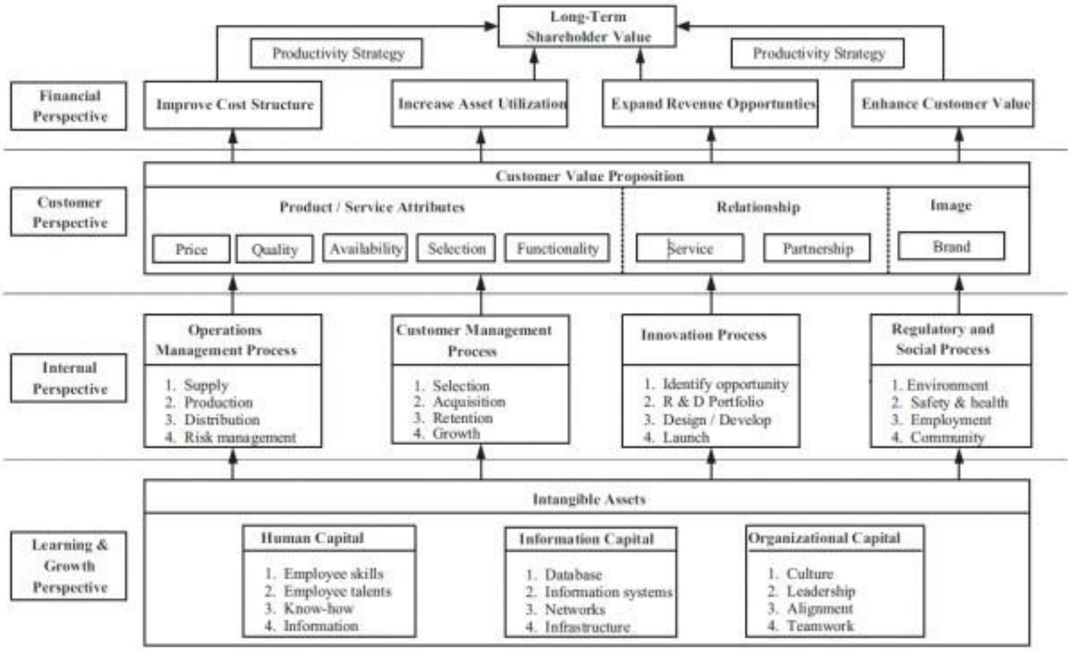


Figure 3: Example of template strategy map of BSC

SOURCE: Wu (2012)

Currently, most major organizations worldwide, including banking institutions such as Metro Bank, Deutsche Bank, J.P. Morgan Chase, and Sberbank of Russia, have already adopted or are in the process of adopting projects based on the BSC (Kaplan and Norton, 2004, 2005; Horvath and Partners, 2006).

Typical KPIs for banks, divided by perspectives, are as follows.

1) Finance:
    - Return on assets (ROA) = After-tax profit (or loss) / average total assets
    - Return on equity (ROE) = After-tax profit (or loss) / average total equity
    - Return on Investment (ROI) = After-tax profit (or loss) / total cost

- Profit Margin (PM) = After-tax profit (or loss) / total operating revenue
- Leverage ratio (LR) = Total liabilities / total assets
- Operating income-to-assets ratio (OIA) = Operating income / total assets

2) Customer:
    - Profit per customer = After-tax profit (or loss) / total number of customers
    - Profit per online customer = After-tax profit (or loss) / total number of online customers
    - Market share = Sales volumes of banking products and services over the period / total market demands over the same period
    - Customer retention rate = Share of repeat customers
    - Customer growth rate = New customer growth rate
    - Number of active products/services per customer = Average number of active products / services per customer
3) Internal process:
    - Number of new products/services = Total number of new products / services over the period
    - Transaction efficiency = Average time spent on solving problems occurring during transactions
    - Customer complaint = Number of critical comments from customers dissatisfied with products/services
    - Rationalised processes = Share of procedures automated by computer systems (CRM, ERP, etc.)
    - Time for new product/service development and launch = Average total time required to develop and launch new product/service
    - Sales channels development = Share of transactions through remote channels
4) Learning and Growth:
    - Professional training = Number of training sessions per employee
    - Training costs = Training costs per employee
    - Staff turnover = Number of laid-off and resigned employees / total number of employees

- Motivation = Number of incentive programs (bonuses, awards, rewards to the best workers, etc.) per employee
- Proactiveness = Number of improvements suggested by employees (Daria et al., 2016)

The four areas of KPIs (Key Performance Indicators) - finance, customers, internal processes, and learning and growth - are commonly used as a framework to evaluate the overall performance of an organization, including a bank. Here's how these areas specifically apply to the banking context:

1) Finance: This area concerns the financial performance of the bank. Financial KPIs measure operational efficiency, profitability, liquidity, capital adequacy, and other key financial aspects of banking activity. Examples of financial KPIs include net interest margin, cost-to-income ratio, return on assets and equity, loan delinquency rate, and so on. These indicators provide a clear view of the overall financial health of the bank;
2) Customers: This area focuses on customer satisfaction and engagement. For a bank, customer KPIs may include the rate of customer growth, customer retention rate, customer satisfaction level, average customer portfolio value, and so on. Measuring customer experience and engagement is crucial to ensuring customer loyalty and business growth;
3) Internal Processes: This area concerns the efficiency and effectiveness of operational processes within the bank. Internal process KPIs may include average transaction processing time, operational cost per transaction, error rate in operations, efficiency of lending processes, and so on. Measuring and improving internal processes is essential for optimizing operational efficiency and reducing costs;
4) Learning and Growth: This area focuses on human resource development, training, innovation, and the organization's adaptability. For a bank, learning and growth KPIs may include employee professional development rate, level of innovation in introducing new products and services, level of adaptation to new technologies and regulations, and so on. Investing in employee learning and development is crucial to ensuring the bank remains competitive and at the forefront of the constantly evolving financial sector.

These four areas of KPIs provide a comprehensive framework for assessing the performance of a bank, allowing management to evaluate its financial performance, customer experience, operational efficiency, and ability to adapt and grow in the context of the continuously changing financial market.

The Key Performance Indicators (KPIs) for digital banks are not significantly different from those of traditional banks, as the operational activity remains more or less the same. However, analyzing the offering side reveals new factors considered relevant by customers of digital banks from which new KPIs can be derived.

The most important of all is the digital security offered by the credit institution. Despite the presence of advanced security tools such as biometric authentication, secure data transfer protocols, password controls, two-factor confirmations, etc., 39% of consumers are afraid to switch to digital platforms due to security factors and fraud or threat risks. Synergies with smartphone manufacturers can be crucial: by now, most high-end smartphones feature biometric authentication, and it is estimated that by 2025, over 3 trillion dollars' worth of transactions will be authorized using this method.

Another crucial factor considered by consumers is the experience offered by the new service. The experience must not violate privacy requirements, but the online service must be targeted and of high quality, offering contactless interaction[14] and personalized experiences. The experience also improves thanks to the platform's interaction with external factors, such as 5G and wearable devices (e.g., Apple Watch). Approximately 40% of consumers are willing to immediately change their bank if it does not offer a quality online service.

The last fundamental aspect for online banking concerns legacy banking systems. Legacy banking systems refer to older and established technological infrastructures and software used by banks to manage their operations. These systems may have been implemented many years ago and may be complex, expensive to maintain and update. Due to this

[14] In the context of the paper, "contactless interaction" refers to modes of interaction without direct physical contact between the customer and the banking device or platform. This type of interaction is often enabled by technologies such as NFC (Near Field Communication) or Bluetooth, which allow data transmission between devices at short distances without the need for physical or wired connections.
For example, in the banking context, contactless interaction could occur through contactless payments using smartphones or smartwatches, utilizing technologies like Apple Pay or Google Pay.

complexity and technical limitations, banks may not be able to adapt quickly to new technologies and customer needs in the digital world.

Digital banking, in its traditional approach, is often based on these legacy systems, which can make the overall experience cumbersome and inefficient. Fintech startups, on the other hand, can be more agile in offering innovative digital solutions, leveraging modern technologies and more flexible structures.

To address this challenge, financial institutions are exploring new strategies, such as adopting e-banking ecosystems with independent mobile apps. These apps can be developed by third parties and directly connected to banking platforms through open APIs. This allows banks to offer users an improved mobile experience without the need for a complete restructuring of their legacy systems.

Open APIs, or Application Programming Interfaces, allow banks to share data with mobile app providers, providing users with a variety of services such as financial analysis, investment solutions, and IoT integrations. Additionally, third-party mobile solutions allow banks to offer a more elegant and multifunctional user experience, thus increasing customer loyalty and attracting new users who appreciate the convenience and completeness of mobile apps (Altynpara, 2022).

2. Case studies

The present chapter is aimed at analyzing six case studies that are highly diverse and relevant for understanding which type of digital bank has more chance to stay competitive in the future. Digital banks can be divided into spin-offs, which are digital versions of traditional banks, or digital natives, which are banks born directly digital and not because of an existing industry group. The goal is to understand whether belonging to an already established group (the case of spin-off banks) brings advantages in the competitive arena or represents only a reduction in flexibility, which is necessary for digitization. In fact, within this chapter, it is possible to understand why some traditional banks have created their digital spin-offs.

The spin-off case studies include Hype (Paragraph 2.1), a spin-off of Banca Sella, a bank with significant presence and strong consolidation in the Italian market, and Widiba Bank (Paragraph 2.2), a digital spin-off of one of the most historically relevant banks in the country, Banca Monte Dei Paschi di Siena. Other spin-off case studies, analyzed towards the end of the chapter due to their uniqueness, are Isybank of Intesa San Paolo and Buddybank of Unicredit (Paragraph 2.6), the first two banks in the Italian market. These latter two cases are particularly relevant both for their belonging to their respective corporate groups and for the fact that Isybank is a new entity (established in 2023), while Buddybank is not a separate entity but an internal entity of the parent bank.

On the other hand, the case studies of digital native banks are Revolut (Paragraph 2.3), the only case of a bank with a global footprint (it will be seen that globalization is a key element for the value proposition), and Illimity (Paragraph 2.4), a bank with a much more diversified activity.

Within this chapter, the aforementioned aspects will be comprehensively understood through the analysis of business models and the main KPIs of the cases under examination. The analysis of demand is deferred to the subsequent chapter (Chapter 3).

2.1 Hype s.p.a.

2.1.1 Overview

Hype S.p.a. is a fully Italian neobank (on their corporate website, they define themselves as a Fintech Company) conceived in Biella in March 2014 and launched in the international market in February 2015 to simplify modern-day money management. Hype is the first 100% digital bank in the Italian market, and the startup founders behind this technological and banking innovation relied on SELLALAB, an impact innovation platform for SMEs within the Banca Sella Holding S.p.a. group. The historic Italian banking group had many synergies that could be leveraged with the startup, including the customer base: in 2019, Banca Sella managed payments for approximately 44% of e-commerce businesses in the Italian market.

From this information, it's easy to understand how Hype is a spin-off of Banca Sella, which currently owns 50% of its shares. The remaining 50%, following a Joint Venture operation in 2021, is owned by Illimity Bank S.p.a. Group (abbreviated as "Illimity S.p.a.").

The startup's mission is to create a digital ecosystem that simplifies the process of sending money and reduces the time involved. The keyword still present in the mission today is "Freedom." The success of the business model soon follows; in fact, in the 2017 balance sheet, a user base of 100,000 is declared (in just two years). In 2019, the startup reached the level where it could transform into the legal form of a joint-stock company (unlisted), and the user base reached 1,000,000.

As an Electronic Money Institution (I.M.E.L.), in 2020, it began to be supervised by the Bank of Italy to ensure its reliability[15]. In 2021, thanks to the new European directive for digital payments (PSD2), Hype expanded the services offered to its customers and became an integrated platform for financial management. Hype S.p.a's vision is the creation of "a world in which financial education and conscious use of money represent important tools for the growth of individuals and the country".

[15] Which, as seen in Paragraph 1.4, is an important and unavoidable factor for banks and the entire credit industry.

The number of customers that Banca Hype managed to reach over the years represents the strength of this bank. In fact, the number of users increased from one million in 2019 to three and a half million in 2023. Data from previous years has not been made public by the bank through official information but achieving one million users in just 5 years since its foundation represents a unique result (among the banks analyzed in this thesis).

	2019	2020	2021	2022	2023
Customers	1.000.000	1.500.000	2.000.000	3.000.000	3.500.000

Table 4: Customers Hype s.p.a.

SOURCE: Author's analysis

The reasons behind Banca Sella's launch of its digital spin-off are diverse, beyond the synergies mentioned previously. Certainly, cost reduction, as seen in Paragraph 1.3, is one factor, but also improving the group's image through the launch of an innovative bank that can attract new customers from a younger demographic. Additionally, expanding the customer base in the banking sector is useful for gathering and analyzing additional data: certainly, with a digital platform, the data is greater. The "Introduce your friend" campaigns, typical of Viral Marketing, were indeed connected to the data of these new customers: Banca Hype still today "gives away" a €25 entry bonus to the user; that sum is largely recovered through the analysis and sale of the new customer's data. The creation of a digital ecosystem has brought significant benefits and increased synergies within the group: Banca Hype can be integrated with other digital services of Banca Sella, such as Banca Sella Online and SellaPay, to create a complete digital ecosystem for customers.

Figure 4: Hype Logo

SOUCE: Corporate website (2024)

2.1.2 Operative model and strategic choice

In Paragraph 1.2, various methodologies for classifying banks according to the adopted business model were analyzed. In the case of Hype S.p.a., the business model is that of a Focused Retail bank, given the strong presence of Customer Deposits on Total Assets (92.33%) and the low relevance of Trading Assets on Total Assets (0.09%), and Bank Loans on Total Assets (15.04%).

	Bank Loans/TA	Customer Loans/TA	Trading Assets/TA	Customer Deposit/TA
HYPE s.p.a.	15,04%	8,37%	0,09%	92,33%
Average	8,47%	70,95%	16,46%	71,01%

Table 5: main KPI for Business Model Analysis

SOURCE: Author's analysis

Considering the average parameters of banks with a focused retail business model, the customer loans of Hype S.p.a. are particularly low: only 8.37% compared to the 70.95% average of banks with this business model. However, the focus on customers does not diminish in this case because most assets consist of cash and cash equivalents, which are liquidity available to customers.

	HYPE s.p.a.
Cash and Cash equivalent/TA	70,69%

Table 6: Cash and Cash Equivalent of Hype s.p.a.

SOURCE: Author's analysis

From the analysis of Hype S.p.a.'s income statement, the strong growth of the net interest margin by just over 100% between 2021 and 2022 is surprising.

	2022	2021	Delta
Net interest margin	10.442.407,00 €	5.055.514,00 €	106,55%

Table 7: Net interest margin

SOURCE: Author's analysis

Analyzing the balance sheets, it is possible to reconstruct a Business Model Canvas of Hype S.p.a. using data from 2022.

The Value Proposition is to create a completely free and user-friendly online current account, with immediate activation of a virtual debit card (Mastercard-supported). Additionally, the service is offered through an intuitive and easy-to-use mobile app. Unlike traditional banks, there are zero fees for transfers and withdrawals, and customer service is available 24/7 for every service. Lastly, there is also a cashback policy of up to 10% when the card is used for online purchases, bill payments, and mobile top-ups.

Hype S.p.A. represents an innovation in the banking sector, with a focus on offering convenient and accessible digital services for a wide range of customers, particularly young people, millennials, and professionals who prefer to manage their finances through online channels. Its value proposition is based on the simplicity and cost-effectiveness of the services offered, such as the online current account with no additional costs and a contactless debit card. The company also stands out for its intuitive mobile app, allowing customers to perform a variety of financial transactions quickly and conveniently.

Hype Bank utilizes various distribution channels, including a mobile app, a website, and a presence on social media, as well as partnerships with stores and companies to further expand its market reach. Customer relation focus is evident through 24/7 customer support via chat, email, and phone, along with the creation of an online community and hosting customer events.

Regarding revenues, Hype Bank generates income from transaction fees, interest on loans with banks and customers, and monthly fees for premium services. To support these activities, the company invests in cutting-edge technology, an expert developer team, and agreements with partner banks. Major costs include technology development and maintenance, marketing expenses, employee salaries and transaction costs.

Hype Bank has established strategic partnerships with other financial institutions, sales networks, and marketing companies to accelerate growth and penetrate new markets. Its growth outlook is promising, with clear objectives to increase the customer base, expand product and service offerings, and diversify its geographic presence.

In conclusion, the success of Hype Bank is based on its ability to offer a seamless, customer-oriented digital banking experience, combining advanced technology, effective marketing strategies, and a strong corporate culture focused on customer satisfaction.

With a well-defined strategy and a commitment to innovation, the company is well-positioned to maintain its status as a leader in the digital banking sector and pursue long-term growth.

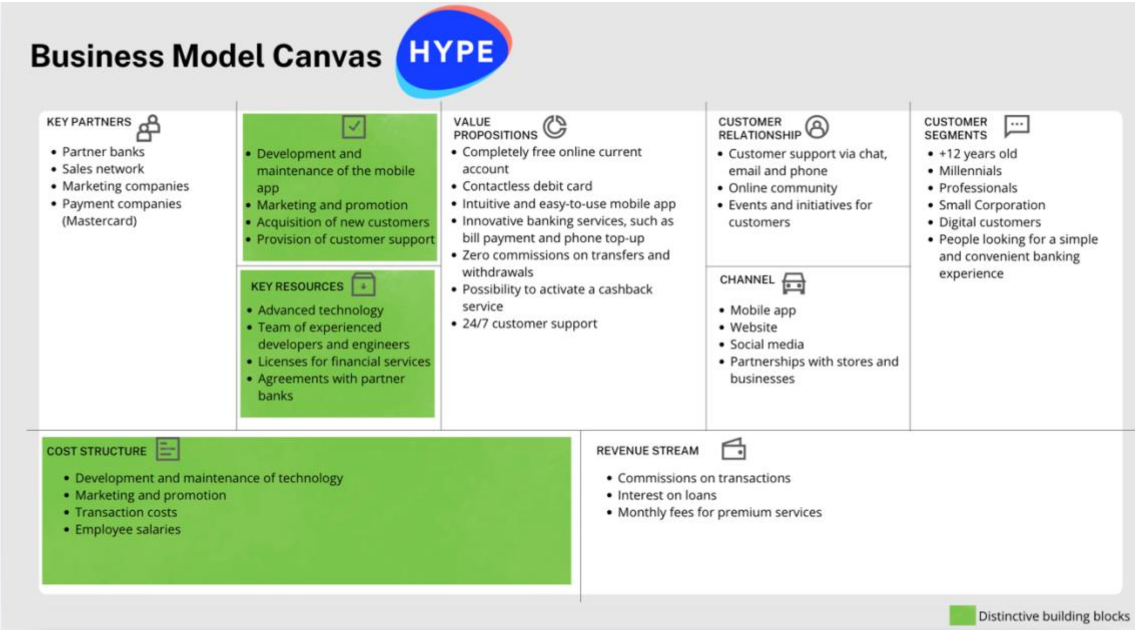


Figure 5: Business Model Canvas of Hype s.p.a.

SOURCE: Author's analysis

So, key features of Hype that differentiate it from other digital banks are:

- Cost-effectiveness: Hype offers a completely free online account, eliminating monthly fees and hidden charges that are common with traditional banks. This cost-effective approach appeals to budget-conscious individuals seeking affordable banking solutions.
- Immediate account activation: Hype provides instant account activation, allowing customers to start using their accounts immediately without delays or lengthy paperwork. This quick and convenient activation process enhances the overall user experience.
- Focus on Online Spending: Hype prioritizes online spending by offering attractive cashback incentives for online purchases, bill payments, and mobile top-ups. This focus encourages customers to utilize their cards for online transactions, potentially saving money and earning rewards.
- Comprehensive financial services: Hype goes beyond basic banking services by providing a suite of financial tools, including budgeting tools and investment

opportunities. This comprehensive range of services caters to customers seeking a one-stop solution for managing their finances effectively.

- User-friendly mobile app: Hype's intuitive and easy-to-use mobile app allows customers to seamlessly manage their accounts, perform transactions, access various banking services, and track their financial progress. This user-friendly app enhances the overall banking experience and makes it convenient for customers to manage their finances on the go.

2.2 Widiba s.p.a

2.2.1 Overview

Banca Widiba, formally known as "Wise Dialog Bank S.p.A." or simply Widiba, was established in 2014 as a result of a social listening policy conducted by the Monte dei Paschi di Siena Group. According to the group's management, the analysis of consumer needs revealed the necessity for a bank that is "innovative and reliable... simple to use... and able to offer personalized products and services" (Corporate website). The bank considers social listening and innovation as key activities for its development. In fact, even the choice of the name "Widiba" was not entrusted to a team of marketing experts but to the community, which in 2013 consisted of 115,000 people. The same "Say&Play" platform, internal to the bank's application, focuses on sharing ideas about the services and products of the new bank.

In October 2014, just a few months after the company's establishment, Widiba won the Golden Circle Award in the Marketing category and the award for Best Customer Experience from EFMA. The network of consultants, highly specialized and coming from the Monte dei Paschi di Siena Group, immediately proved to be one of the most efficient in the digital banking segment. In fact, in 2015, it achieved one of the highest levels of Net Promoter Score (NPS). Another factor that undoubtedly contributed significantly to the bank's development and rapid growth is the simplicity of the language used, allowing everyone to "interact with the bank using natural language."

Banca Widiba is entirely owned by the Monte dei Paschi di Siena Group, more precisely, the sole shareholder is Banca Monte dei Paschi di Siena S.p.A.

The mission of Banca Widiba is to promote actions aimed at helping individuals, families, and young people in the informed daily management of their financial savings.

Widiba Bank has published the number of clients since its first financial statement. The growth has been significant, but the number of users reached is not stimulating enough to make it truly competitive in the market, even in comparison with other spin-off banks, such as Hype (Paragraph 2.1). The users in the first year were 50.000 and in 2022 they became 450.000.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Customers	50.000	100.000	200.000	250.000	300.000	330.000	380.000	400.000	450.000

Table 8: Customer Widiba bank

SOURCE: Author's analysis

The reasons behind the launch of its digital spin-off by Banca Monte dei Paschi di Siena are diverse:

- Cost reduction (as seen in Paragraph 1.3);
- Remaining competitive in the market, which has a trend towards fully digital banks;
- Expanding the customer base and customer deposits;
- Improving the group's image.

Figure 6: WIDIBA Logo

SOURCE: Corporate website, 2024

2.2.2 Operative model and strategic choice

From the anticipated Key Activities in the previous chapter, it can already be inferred that Banca Widiba is a Focused Retail bank. In fact, the presence of high Customer Deposits on Total Assets (amounting to 70.90%) leaves no doubt about the business model, despite the low presence of Customer Loans or Lending to Consumers on Total Assets. Trading Assets on Total Assets are zero in this case, and bank loans appear to be very high (30.67%) compared to the average of focused retail banks (8.47%), but this is justified by its belonging to the Monte dei Paschi di Siena Group.

	Bank Loans/TA	Customer Loans/TA	Trading Assets/TA	Bank Liabilities/TA	Customer Deposit/TA
WIDIBA s.p.a.	30,67%	20,68%	0,00%	24,22%	70,90%
Average	8,47%	70,95%	16,46%	12,98%	71,01%

Table 9: main KPI for Business Model Analysis

SOURCE: Author's analysis

The extremely low Customer Loans, compared to the average, have the same justification as in the case of Hype S.p.a.: the Cash and Cash Equivalents to Total Assets are very high (45.05%).

	WIDIBA s.p.a.
Cash and Cash equivalent/TA	45,05%

Table 10: Cash and cash equivalent of WIDIBA s.p.a

SOURCE: Author's analysis

The net interest margin of Banca Widiba also grew by 32.40% from 2021 to 2022.

	2022	2021	Delta
Net interest margin	61.029.302,00 €	46.094.073,00 €	32,40%

Table 11: Net interest margin of WIDIBA s.p.a

SOURCE: Author's analysis

Banca Widiba distinguishes itself from competitors through its business model, which combines advanced digital banking services with personalized financial advice. This hybrid model allows Widiba to meet the needs of customers who value both the simplicity of using the online platform and the guidance of qualified professionals in managing their savings and investments. It is possible to understand the high exploration of Synergies between the spin-off and the group.

Widiba primarily targets digital retail customers, investors, and savers seeking a customizable and user-friendly online platform. Its value proposition is based on offering a wide range of banking products and services, including current accounts, debit and credit cards, online trading and investments, along with personalized financial advice from a network of over 500 professionals. Moreover, the sustainable goal is also present in the value proposition: in fact, Wibida is a paperless bank.

Service distribution mainly occurs through Widiba's online platform, but also through a network of financial advisors across Italy and mobile app. Customer relationships are characterized by personalized financial advice, dedicated customer assistance, and educational events.

Widiba's revenues come from management fees on accounts and investments, trading commissions on financial instruments, spreads on exchange rates, and monthly fees for premium services. Key resources include an advanced technological platform, a network of qualified financial advisors, and licenses for financial services.

Widiba's key activities include developing and maintaining the online platform, innovation, training the network of financial advisors, investment management, providing personalized financial advice, customer support, and social media listening. Major costs are related to developing and maintaining the technological platform, financial advisor salaries, marketing expenses, and transaction costs.

Widiba's partnership model involves investment funds, asset management companies, and financial instrument issuing companies. The company's growth outlook focuses on increasing the customer base, expanding the range of products and services, innovating the online platform, and continuously improving the customer experience.

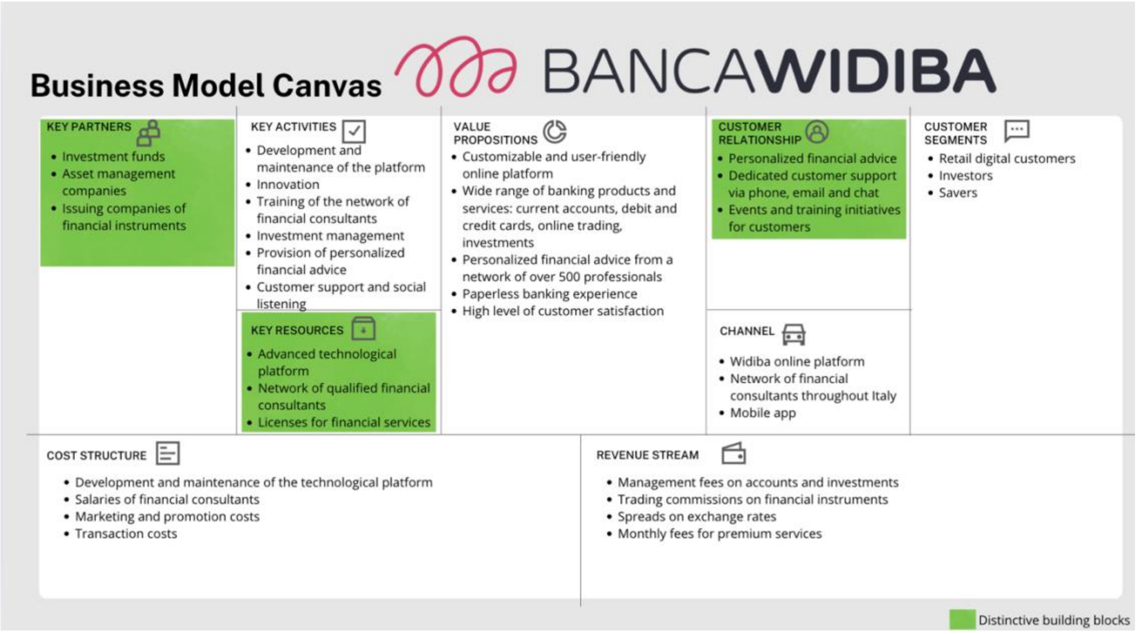


Figure 7: Business Model Canvas of WIDIBA s.p.a

SOURCE: Author's analysis

So, key features of Widiba that differentiate it from other digital banks are:

- Personalized financial advice: Widiba distinguishes itself by offering personalized financial advice from a network of over 500 dedicated professionals. This personalized approach caters to individuals seeking tailored financial guidance to meet their specific needs and investment goals.
- Focus on environmental sustainability: Widiba prioritizes environmental sustainability through its Paperless Experience program. This initiative aims to reduce paper consumption and promote eco-friendly practices by encouraging digital interactions and transactions.

2.3 Revolut Ltd

2.3.1 Overview

Revolut is a digital bank founded in 2015 by Russian and Ukrainian-born entrepreneurs who are now British citizens, Nik Storonsky and Vlad Yatsenko, with the aim of creating the world's first truly global "super app" for financial services to help people get more out of their money. The keyword of Revolut's mission is "global," as the services offered aim to facilitate international money transfers and currency exchange.

The founders' idea was to create a fully digital alternative to large traditional banks that could promote financial cohesion among the countries in which they operate. Nik Storonsky remains the primary shareholder of Revolut, while the other co-founder serves as CFO. The company is still a private entity, but there is a possibility that it may undergo an IPO on the London Stock Exchange (LSE) in 2024.

"...obviously a venture-funded company so at a certain point in time it will happen."

(Nik Storonsky, 2021)

Already in 2016, Revolut managed to secure private funding of $15 million and reached its first milestone in terms of subscribers, reaching a total of 100,000 users. Fundraising continued in 2017 with a tranche of $66 million, which allowed the launch of Revolut Business, Revolut Premium, and obtaining certifications for cryptocurrency trading in the eurozone (the main area of interest). The most significant year for Revolut's business growth was 2018, during which it obtained a banking license from the Bank of Lithuania, launched the paid subscription plan (still a significant source of revenue today), and raised additional investments of $250 million.

The launch of another important strategic business unit for trading characterized 2019. Since that year, platform users have had the opportunity to buy and sell fractional shares. In the following years, there were additional rounds of fundraising, with $580 million raised in 2020 and $800 million in 2021. In 2022, retail customers reached 26 million, and transactions amounted to around £100 billion.

(in million)	2016	2017	2018	2019	2020	2021	2022
Amount from financiang (USD)	15	66	250		580	800	
Users	0,1	0,6	2	6	11	16	26

Table 12: Amount from financing and user

SOURCE: Corporate website, 2024

The features launched with the greatest success in 2021 were the ability to access salary advances and the option to book vacations directly through the application. Additionally, Revolut developed and produced a physical device called Revolut Reader, allowing merchants to accept in-person payments.

It is possible to observe the characteristic of internationality (core in Revolut Ltd) from how its customers are spread around the world. In 2023, the majority of Revolut's customers are in the United Kingdom, the country where the bank was founded. Other important markets include Romania, Poland, France, Ireland, and Spain. The United States represents a very small market. Other countries around the world are insignificant markets

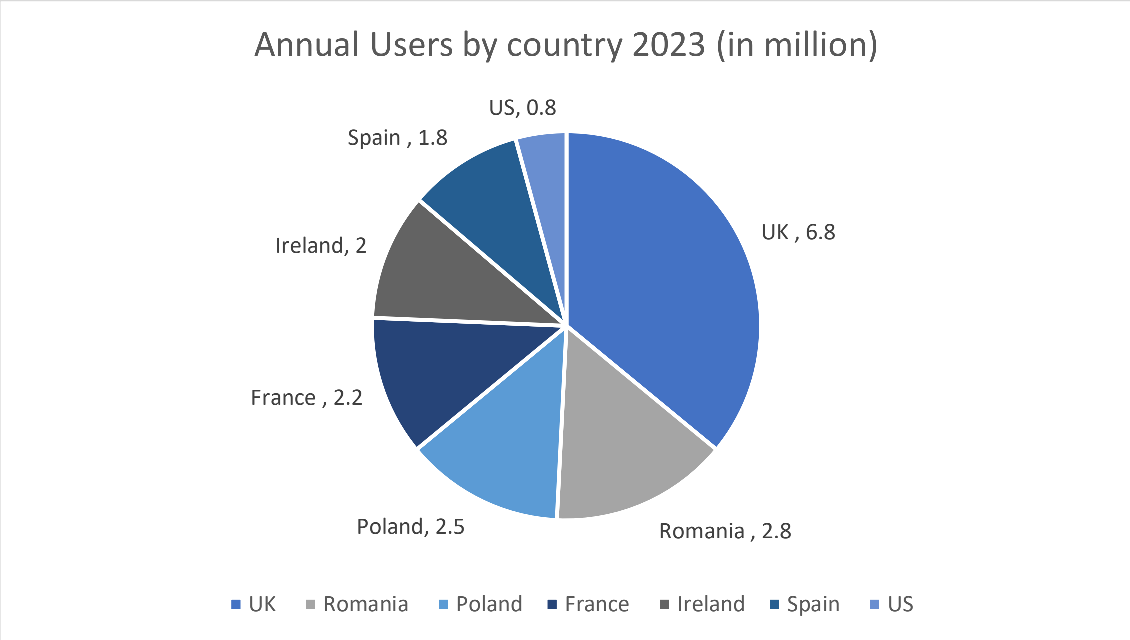


Figure 8: Revolut's annual users by country in 2023

SOURCE: Corporate website

Thanks to its international characteristic, Revolut has many customers, especially when compared to other banks analyzed. In the first year, they reached 50,000 users, and by 2022, they reached 26 million. The trend appears to still be in significant growth, as in 2023, approximately 35 million customers are estimated.

	2015	2016	2017	2018	2019	2020	2021	2022
Customers	100.000	500.000	1.500.000	5.000.000	10.000.000	15.000.000	18.000.000	26.000.000

Table 13: Customers Revolut

SOURCE: Author's analysis

Figure 9: Relovut Ltd Logo

SOURCE: Corporate website, 2024

2.3.2 Operative model and strategic choice

Revolut represents a remarkable case of innovation in the banking sector, positioning itself as one of the leading digital banks globally. Founded in 2015 with the ambitious goal of creating the world's first "super app" for financial services, Revolut has quickly established itself as a digital alternative to large traditional banks, offering a wide range of financial services accessible through a single platform.

Revolut is a digital native bank that can be included in the focused retail banks thanks to its high Customer Deposit on Total Assets (89,52%).

	Customer Loans/TA	Trading Assets/TA	Customer Deposit/TA
REVOLUT Ltd	1,45%	0,67%	89,52%
Average	70,95%	16,46%	71,01%

Table 14: main KPI for Business Model Analysis

SOURCE: author's analysis

Analyzing the balance sheet, it is possible to understand that most Customer Deposits are held as Cash and Cash Equivalents. This aligns with the bank's value proposition:

customers open a Revolut account to take advantage of the "global super app" that allows easy and free currency exchange.

	REVOLUT Ltd
Cash and Cash equivalent/TA	75,22%

Table 15: Cash and Cash equivalent of Revolut Ltd

SOURCE: Author's analysis

Revolut's value proposition stands out for its offering of international money transfers and currency exchange without fees, promoting financial cohesion among the countries in which it operates. This approach has captured the attention of individuals, businesses, and merchants seeking convenient and global financial solutions. Moreover, Revolut has met the needs of professionals requiring a multi-currency card for their travels, thus consolidating its presence in various customer segments.

Through its mobile app, website, and strategic partnerships with companies and fintech firms, Revolut has built strong relationships with its customers, ensuring efficient and personalized assistance. Its multi-channel presence has been crucial in maximizing the reach and accessibility of its services.

Revolut's revenue sources include monthly fees for premium plans, commissions on foreign currency transactions, spreads on cryptocurrency transactions, interest on deposit accounts, and fees for additional services. However, the company faces challenges such as the lack of a physical branch network and dependence on external investors, despite its strengths such as a strong brand and reputation, innovative technology, and a large customer base.

In its growth journey, Revolut must continue to explore opportunities such as expanding into new markets, launching new products and services, and acquiring other fintech companies, always maintaining a long-term strategic vision. Additionally, it must remain vigilant regarding threats such as competition in the digital banking sector and stricter regulations.

In conclusion, Revolut emerges as a successful example in the landscape of digital banks, with a solid business model and significant impact on the global financial market. Its ability to innovate and adapt to changing customer needs makes it a force to be reckoned with in the future of the banking industry.

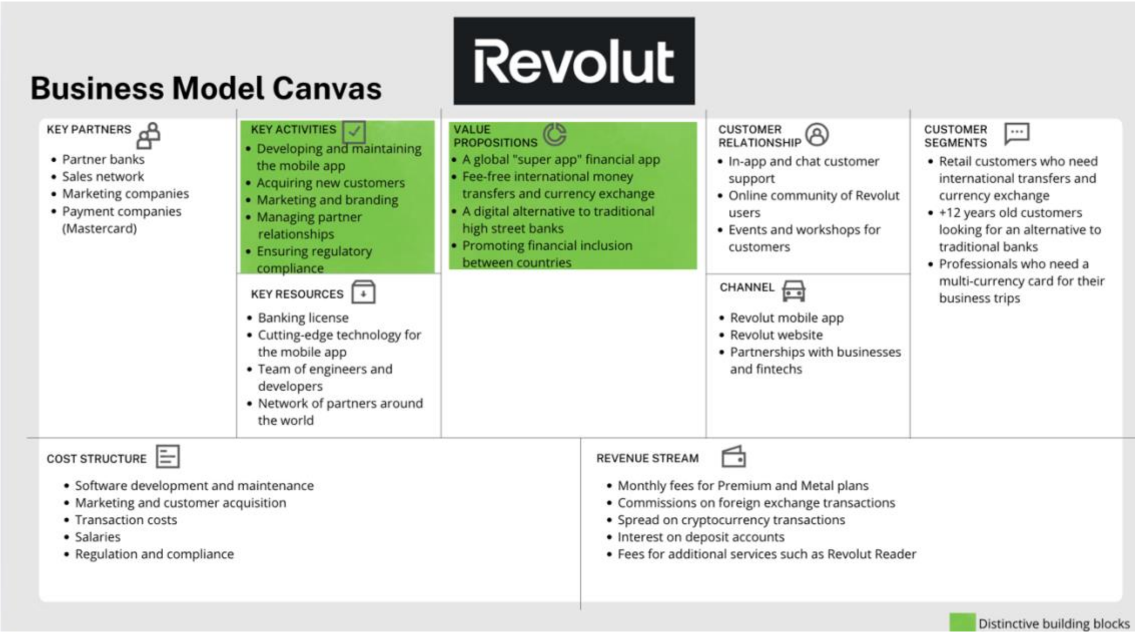


Figure 10: Business Model Canvas of Revolut Ltd

SOURCE: Author's analysis

So, key features of Revolut that Differentiate it from Other Digital Banks are:

- Global super-app: Revolut's comprehensive mobile app goes beyond traditional banking services by offering a suite of lifestyle features, including travel and accommodation bookings, shopping and entertainment and lifestyle management tools;
- Fee-free international money transfers: Revolut eliminates the hassle and expense of international money transfers by offering fee-free transfers to over 150 currencies. This feature is particularly beneficial for individuals who frequently send or receive money across borders.
- Fee-free currency exchange: Revolut provides competitive interbank exchange rates, allowing users to exchange currencies without incurring additional fees. This transparent and cost-effective approach to currency exchange appeals to those who travel frequently or engage in international transactions.

At the end, the main characteristic of Revolut can be summarized in the word "International".

2.4 Illimity Bank s.p.a.

2.4.1 Overview

Illimity Bank S.p.A. is an Italian bank founded in 2018 through a Special Purpose Acquisition Company (SPAC) by a group of entrepreneurs and professionals in the financial sector, including Corrado Passera. Its aim is to create a new entity in the Italian banking landscape, characterized by an innovative and customer-oriented approach. The company was officially established on March 5, 2019, in Milan. In the same year, it specialized as a specialized servicer in managing distressed corporate credits. From the parent company, a fully digital bank was founded under the domain illimitybank.com for retail customers.

The history of Illimity originates from the entrepreneurial experience and vision of its founders, who recognized the opportunity to create an agile bank focused on customer needs, offering innovative financial solutions and personalized services. To achieve these goals, the option deemed suitable was that of a digital bank. With this information, Illimity can be defined as a digital-native bank within the segmentation outlined in this thesis. In February 2020, Illimity SGR was authorized to establish and manage Alternative Investment Funds. In 2021, Illimity obtained the qualification of Euronext Growth Advisor, thus being able to implement offerings for SMEs. Over the years, sustainable initiatives, such as achieving carbon neutrality in 2021, and those related to ESG, such as the Illimity Foundation, have been numerous and successful in the market.

The joint-stock company has been listed on the Euronext Milan market since 2019 and has been listed on the STAR segment since September 10, 2020. The ordinary shares amount to 83,916,330 and represent the share capital of €54,690,661.10. Among the significant shareholders, i.e., those with a stake of more than 3 percent, as of 2023, are Banca Sella Holding S.p.A., which owns 10 percent, FermION Investment Group Limited with 9.4 percent, LR Trust - FIDIM S.r.l. with 7.7 percent, Tensile - Metis Holdings s.p.a with 7.3 percent, Atlas Merchant Capital LLC with 6.3 percent, and Corrado Passera with 4.0 percent.

The corporate website doesn't advertise the company's mission and vision but rather its core values, known as "Illimity Identity," which form the foundation of the entrepreneurial project: pride in being a bank, with innovation at the forefront, promoting freedom and responsibility.

Illimity is a slightly more complex bank than those analyzed previously. Focused on providing loans to businesses and wealth management services, it offers a comprehensive range of financial products and services, including financing, mortgages, investments, and financial advisory services, with a rather articulated corporate structure.

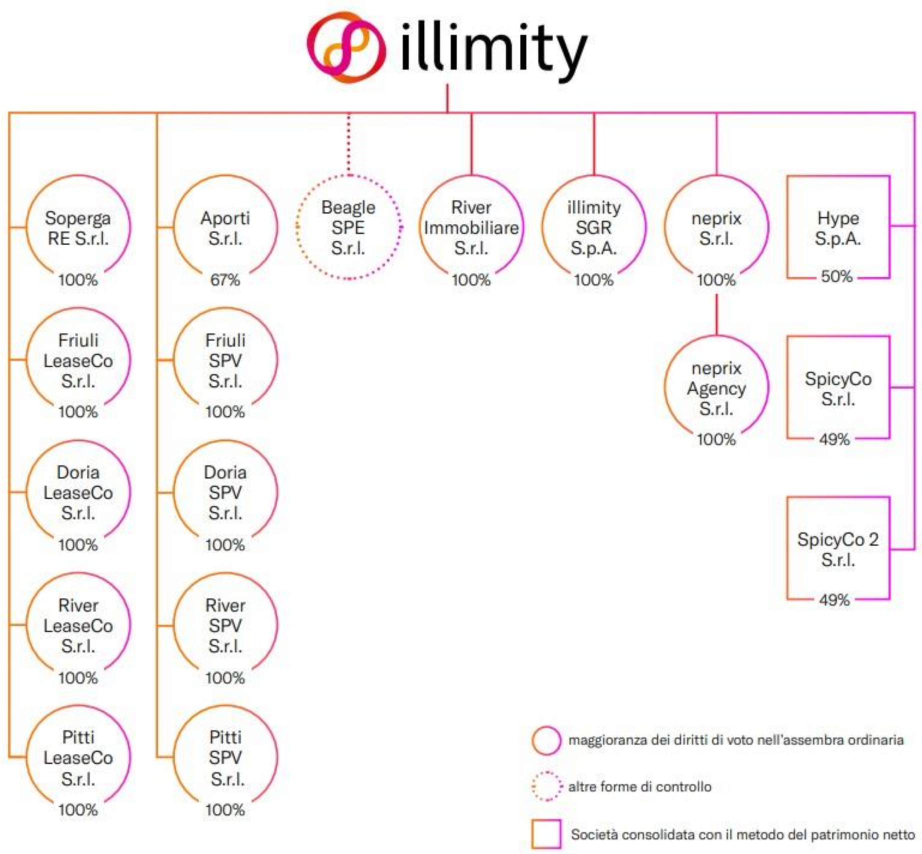


Figure 11: Illimity group structure

SOURCE: Corporate website, 2024

The role of the Asset Management Company (SGR) is crucial for the operations of the retail bank. Through the SGR, customer deposits are invested in rapidly growing companies or established firms. The funds managed by the SGR are differentiated into the UTP & Turnaround Area and the Private Capital Funds Area. Among the most notable companies supported by the Illimity group are Jacob Cohen, Franco Barberis, and Alice Pizza.

The customers reached by Illimity bank over the course of its years of activity are significant for a digital native bank focused on the Italian market. In its first year of operation (2018), it reached 50,000 users, and after 5 years, it reached 300,000 users.

	2018	2019	2020	2021	2022	2023
Customers	50.000	100.000	150.000	200.000	250.000	300.000

Table 16: Customers Illimity bank

SOURCE: Author's analysis

2.4.2 Operative model and strategic choice

The operational activity of Illimity Bank is highly complex and well-structured at the organizational level. However, despite this, it can be affirmed that this digital bank is also a Focused Retail bank with high Customer Deposit to Total Asset ratio (53.65%) and Lending to Customer or Customer Loans to Total Asset ratio (50.72%). The low ratios of Trading Asset to Total Asset (1.48%) and Bank Loans to Total Asset (0.90%) also confirm that the business model is that of a Focused Retail bank.

	Bank Loans/TA	Customer Loans/TA	Trading Assets/TA	Bank Liabilities/TA	Customer Deposit/TA
ILLIMITY BANK S.P.A.	0,90%	50,72%	1,48%	18,96%	53,65%
Average	8,47%	70,95%	16,46%	12,98%	71,01%

Table 17: main KPIs for Business Model Analysis

SOURCE: Author's analysis

In the case of Illimity, Cash and Cash Equivalents are not particularly high, as in the previously analyzed cases; in fact, in relation to Total Assets, they are only 10.71%.

	ILLIMITY BANK S.P.A.
Cash and Cash equivalent/TA	10,71%

Table 18: cash and cash equivalent

SOURCE: Author's analysis, 2024

Illimity Bank stands out in the Italian financial landscape thanks to a solid and articulated business model, which is based on several interconnected pillars to offer value to customers and ensure a competitive position in the industry.

At the core of Illimity's business model is its unique value proposition, which is based on a wide range of financial services supported by innovative technologies. Illimity Bank operates as a fully digital bank, serving small and medium-sized enterprises (SMEs), affluent retail customers, and professionals. Through its innovative digital platform, Illimity offers tailor-made financial services tailored to the specific needs of its customers.

At the heart of Illimity's approach lies its commitment to technological advancement. Leveraging cutting-edge technologies, Illimity offers its customers convenient and efficient access to a wide range of banking services, including account management, loans, investments, and wealth management solutions. This digital approach allows Illimity to reach customers anytime, anywhere, improving accessibility and convenience.

Illimity's value proposition is based on personalization and flexibility. Whether it's a company looking for customized financial solutions, an individual seeking personalized wealth management advice, or a professional requiring specialized financial services, Illimity is committed to meeting the unique requirements of each customer segment.

Furthermore, Illimity fosters strong customer relationships through personalized assistance and support. Despite its digital nature, Illimity ensures that customers receive dedicated attention from relationship managers and financial advisors who understand their financial goals and specific challenges.

Regarding revenue streams, Illimity generates income primarily through loan interest, fees for financial services, and returns on investments. These revenue streams are supported by robust risk management practices and a commitment to regulatory compliance.

Key to Illimity's success are its key resources, including advanced technological infrastructure, a team of experienced professionals, and strategic partnerships with other financial institutions and technology providers. These resources enable Illimity to offer innovative and reliable financial solutions while maintaining operational efficiency and scalability.

In summary, Illimity Bank is a testament to the transformative power of digital banking. Through its customer-centric approach, technological expertise, and commitment to innovation, Illimity is redefining the banking landscape, enabling businesses and individuals to realize their financial aspirations with greater convenience, flexibility, and personalized service.

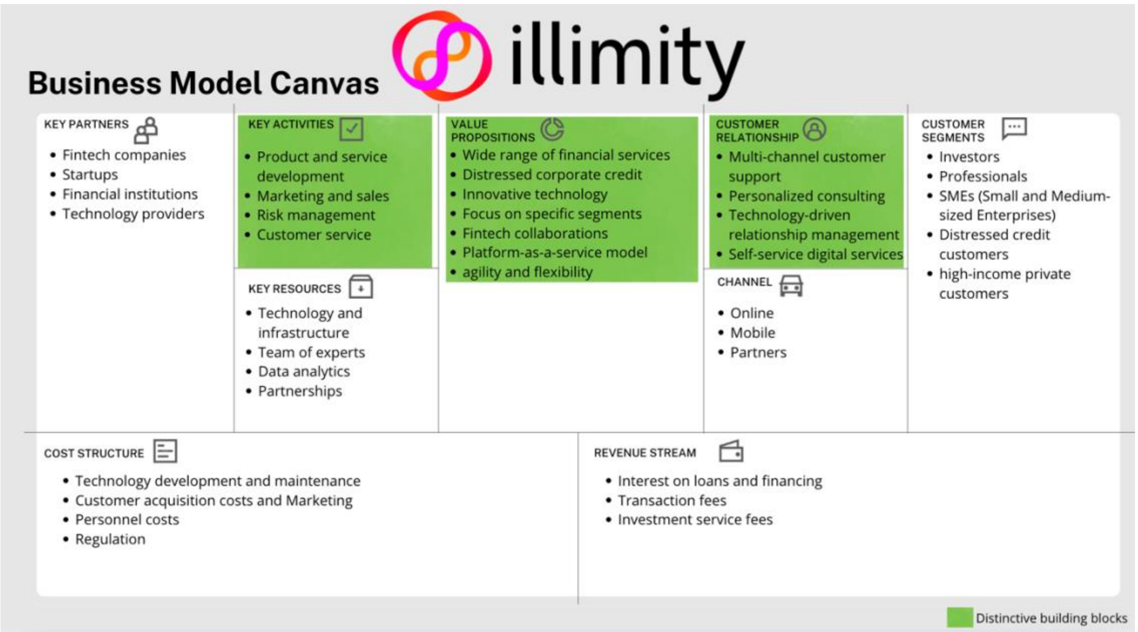


Figure 12: Business Model Canvas

SOURCE: Author's analysis

So, key features of Illimity that differentiate it from other digital banks are:

- Wide range of financial services: Illimity offers a comprehensive suite of financial services, including traditional banking services (checking and savings accounts, loans, credit cards, and payment services), investment products (such as mutual funds, ETFs, and brokerage services) and wealth management services (for high-net-worth individuals and families).
- Robust infrastructure: Illimity benefits from a strong infrastructure, including a network of branches, ATMs, and a robust online and mobile banking platform. This infrastructure enables Illimity to provide its customers with convenient and reliable access to its services.
- Strategic partnerships: Illimity's partnership with Hype, a successful digital bank, provides it with access to a younger, tech-savvy customer base. Additionally, Illimity's investments in other companies can contribute to its overall growth and innovation.
- Focus on entrepreneurship: Illimity is committed to supporting entrepreneurs and startups by offering tailored financial solutions and resources. This focus on entrepreneurship differentiates Illimity from traditional banks that may not have a specific focus on this segment.
- Social responsibility: Illimity integrates social responsibility practices into its operations, demonstrating a commitment to contributing to the well-being of society. This commitment to social responsibility aligns with the values of many customers, particularly millennials and socially conscious individuals.

2.5 Isybank

Another very interesting case to study is Isybank, a digital bank spin-off of the Intesa Sanpaolo group. It is interesting because Isybank remains a question mark given the absence of published financial statements, but it will certainly have a significant impact on the entire sector as it is the spin-off of one of the most important banks in the European market and in the Italian market.

Isybank, launched in 2023, aims to offer a comprehensive and flexible banking experience, leveraging the benefits of digitalization along with the strength of a leading banking group. The bank aims to satisfy a wide range of customers, including young people, families, professionals, and digital customers, offering them a convenient and innovative banking alternative.

The main purpose behind the launch of Isybank by Intesa Sanpaolo group is cost reduction, as seen in Paragraph 1.3. The parent bank is a leader in the Italian market, also thanks to its widespread physical presence (due to various mergers and acquisitions over the years, such as that with Banco di Napoli), which, however, represents excessive costs that hinder resources available for growth. The process of moving customers from the parent bank to the digital bank, to rapidly reduce costs, was too swift, to the extent that it received a block from the Italian Competition Authority.

The value proposition of Isybank is based on offering a fee-free online current account, a contactless debit card, an intuitive and user-friendly mobile app, services such as salary advances, and active 24/7 customer support. Isybank primarily uses digital channels to distribute its services, including the mobile app, website, and social media. However, it also utilizes the physical branch network of the Intesa Sanpaolo Group to offer personalized assistance and potential synergies between digital and traditional services.

To maintain strong customer relationships, Isybank offers multichannel support, promotes customer interaction through an online community, and organizes events and initiatives to increase brand awareness.

Isybank's revenue comes from transaction fees, loan interest, monthly fees for premium services, and spreads on exchange rates. Isybank's key resources include an advanced technological platform, a team of experienced developers, licenses for financial services, and the branch network of the Intesa Sanpaolo Group.

Isybank's main activities include the development and maintenance of the mobile app, marketing and promotion, customer acquisition, and customer support. Isybank's main costs are related to technology development and maintenance, marketing and promotion, and transaction costs.

Substantially, Isybank aims to offer a complete and accessible digital banking alternative, combining the benefits of digitalization with the strength and reliability of the Intesa Sanpaolo Group. Its value proposition, based on innovation and customer focus, along with its diversified distribution channels, key resources, and core activities, position it as an attractive choice for customers looking for a cutting-edge digital banking experience.

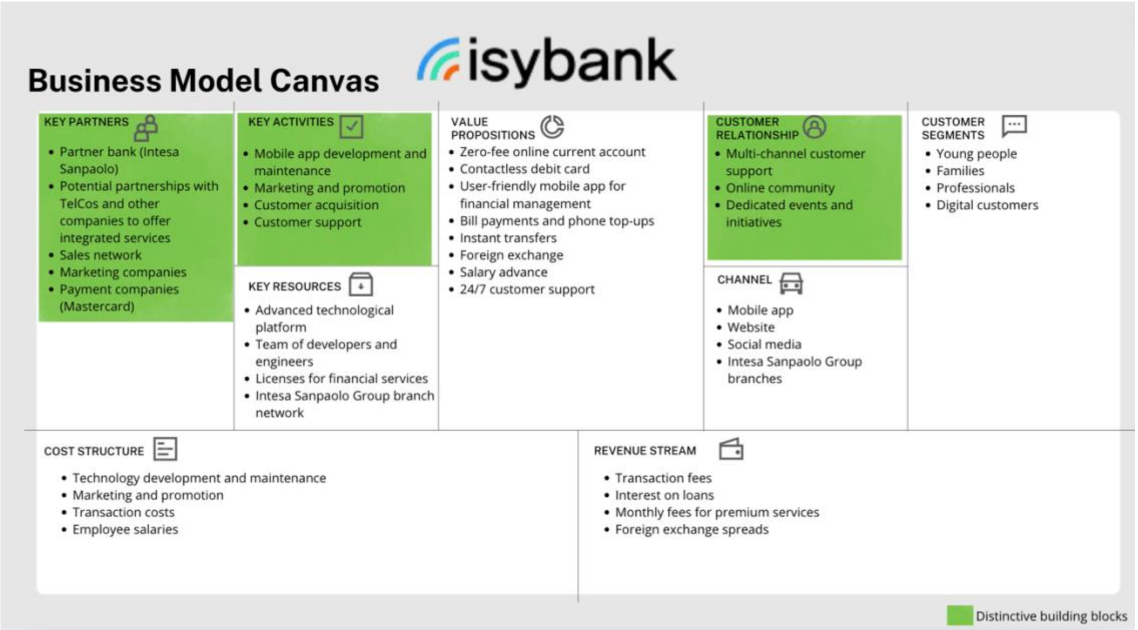


Figure 13: Business Model Canvas of Isybank

SOURCE: Author's analysis

The data from Isybank's first financial statement is highly encouraging, as the digital spin-off of Intesa San Paolo has already generated profits of 5.1 million euros and revenues of 37.2 million euros in its first year. The significant increase in profits is particularly attributed to the contribution from net interest (amounting to 37 million euros). Commission income recorded a loss of 600 thousand euros, while operating costs totaled 11.1 million euros. Among these costs, the 2.9 million euros related to personnel mainly stem from employees seconded from the parent company. Administrative expenses constituted another significant item, amounting to 7.4 million euros, including ICT investments and costs for services provided by Intesa. Depreciation amounted to a smaller figure, totaling 700 thousand euros.

Regarding the balance sheet, the total assets amounted to 2.37 billion euros, with 1.7 billion euros representing bank loans, 280.3 million euros in customer credits, 161.6

million euros in investments in subsidiaries (including a 50% stake in Mooney Group and 0.01% in Bancomat), and 186.7 million euros in cash and liquid assets.

On the liabilities side, the net equity stood at 384.9 million euros, while customer debts reached 1.95 billion euros.

From a consumer perspective as well, the start of Isybank is explosive. In fact, compared to the largest analyzed bank, namely Revolut, Isybank has 350% more customers in its first year of operation. This result is certainly due to being the spin-off of a traditional bank that is a sector leader in its geographical area of competence.

(in million)	**Customers (year 1)**
Isybank	0,45
Revolut	0,1

Table 19: Customer in the first year of activity: Isybank and Revolut

SOURCE: Author's analysis

2.6 Buddybank

Buddybank, launched in 2018 by Unicredit, presents itself as a digital bank committed to building a relationship of trust and interaction with its customers. Its business model is characterized by a series of key elements that make it unique in the digital banking landscape.

The customer segments that Buddybank aims to serve include young people, professionals, digital customers, and those seeking a direct relationship and financial advice. This highlights a strategy aimed at meeting a variety of customer needs and preferences, offering them a personalized and accessible banking experience.

Buddybank's value proposition focuses on offering a complete and convenient digital banking experience. This includes a free online current account, a contactless debit card, a cutting-edge mobile app with various features, including the ability to receive personalized financial advice through the Buddy Coach service and to monitor expenses through the Buddy Mood functionality. Additionally, Buddybank is committed to sustainability, offering products and services with a positive environmental impact.

Buddybank's primary distribution channels are digital, including the mobile app, website, and social media. However, the physical presence of Buddy Corners offers an optional human interaction channel for those who prefer direct contact with the bank.

Regarding customer relationships, Buddybank is committed to establishing a direct and trustworthy relationship through multichannel customer support, the Buddy Coach service for personalized financial advice, an online community, and dedicated events.

Buddybank's revenues mainly come from transaction fees, margins on financial products, monthly fees for premium services, and online trading commissions.

Buddybank's key resources include an advanced technological platform, a team of experienced developers and engineers, licenses for financial services, and a team of financial advisors for the Buddy Coach service.

Buddybank's key activities include the development and maintenance of the mobile app, marketing and promotion, customer acquisition, customer support, and management of the Buddy Coach service.

Buddybank's main costs relate to technology development and maintenance, marketing and promotion, transaction costs, and employee salaries.

Finally, Buddybank could enter into agreements with other companies to expand the range of products and services offered or to improve the user experience, emphasizing the bank's willingness to maintain a dynamic and collaboration-oriented approach in its business model. Certainly, the partnerships of the Unicredit Group become particularly relevant as they become partners of this highly strategic business unit.

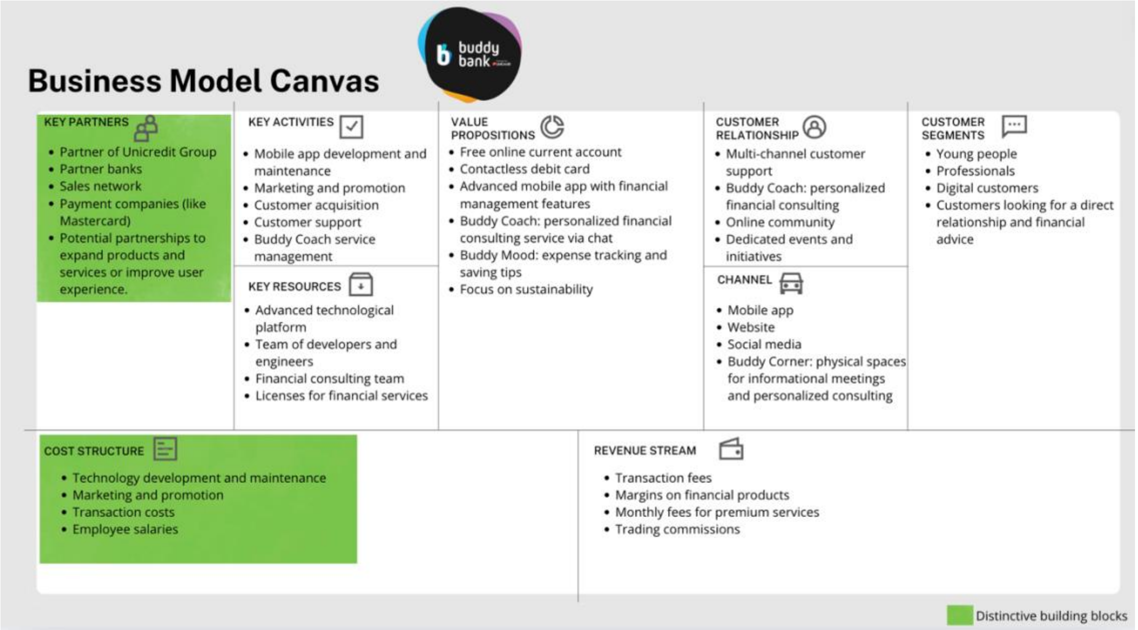


Figure 14: Business Model Canvas of Buddy Bank

SOURCE: Author's analysis

The motivations behind the launch of a spin-off (which in this case is more of a service) by Unicredit are diverse, including:

- Increase in online and mobile banking usage (industry trend as seen in Paragraph 1.3): More and more customers prefer to conduct their banking operations online or through apps rather than visiting a branch;

- High costs of branch management: The costs associated with maintaining a bank branch are a significant cost item in the Income Statements of traditional banks (as seen in Paragraph 1.3).

- Competition from digital banks: Digital banks, such as N26 and Revolut, often offer lower prices to customers due to lower costs (especially those of branches). The launch of Buddybank was made with the aim of offering, through digital experience, a premium and leaner service to customers. Another motivation behind the launch of Buddybank concerns Fineco. Fineco Bank is an Italian bank founded in 1999 and was Unicredit's first digital spin-off. In fact, in 1999 Fineco was born at the will of Unicredit to be a fully digital bank, offering a wide range of products and services for individuals and businesses.

Several reasons prompted Unicredit to separate from Fineco:

- Strategic focus: Unicredit wanted to focus its efforts on the core business of traditional banking, while Fineco could focus on its customer segment and its digital business model;

- Valorization of Fineco: The detachment allowed Fineco's potential as an autonomous digital bank to be enhanced and attracted new investments.

Greater flexibility for Fineco: Autonomy gave Fineco the opportunity to pursue its own business strategy, develop new products and services, and expand into new markets. Fineco definitively separated from Unicredit in 2014 with the IPO and listing on the stock exchange. This process, carried out gradually and strategically, marked Fineco's complete autonomy, allowing it to consolidate itself as a fully-fledged digital bank with its own identity and business strategy. The benefits of the detachment were significant for both parties:

- For Fineco: It led to greater autonomy, flexibility, and growth potential, consolidating its position as a leading digital bank in Italy;

- For Unicredit: It allowed focusing efforts on the core business, enhancing Fineco's potential, and raising capital from the IPO. However, this detachment gave rise to the need for Unicredit to find a new digital spin-off.

2.7 Comparative analysis

The various banks analyzed appear significantly different when examining the sizes of their businesses and their business models in detail. Analyzing the sizes (Total Assets), Revolut Ltd appears to be the largest (its internationality plays a key role), followed by Illimity Bank S.p.A., Widiba Bank S.p.A., and Hype S.p.A.

2022	HYPE S.P.A.	WIDIBA BANK S.P.A.	REVOLUT LTD	ILLIMITY BANK S.P.A.	SPIN-OFF (average)	DIGITAL NATIVE (average)
Total Asset	481.493.333,00 €	4.328.564.308,00 €	14.066.779.000,00 €	6.355.125.000,00 €	2.405.028.820,50 €	10.210.952.000,00 €
Net Profit	- 14.677.137,00 €	8.996.839,00 €	5.802.000,00 €	73.326.000,00 €	- 2.840.149,00 €	39.564.000,00 €

Table 20: balance sheet items

SOURCE: Author's analysis

Despite the size and potential economies of scale exploitable by Revolut, the bank that has performed better, focusing on ROA, is Illimity Bank S.p.A., which is the only bank that approaches the industry average, standing at 1.30%.

2022	HYPE S.P.A.	WIDIBA BANK S.P.A.	REVOLUT LTD	ILLIMITY BANK S.P.A.	SPIN-OFF (average)	DIGITAL NATIVE (average)
ROA (bank)	-3,05%	0,21%	0,04%	1,15%	-1,42%	0,60%
ROA (Industry Average)	1,30%	1,30%	1,30%	1,30%	1,30%	1,30%

Table 21: index from balance sheet

SOURCE: Author's analysis

Despite the difference in size, which is not relevant in the choice of cases, as the common characteristic is the exclusive digital presence in the market. At the level of business model, all four banks analyzed fall within the Focused Retail banks, in line with the distinction by Ayadi et al. 2019. However, there are more differences when examining spin-offs and digital natives more closely.

Hype and Widiba banks represent two distinct approaches in the banking sector, as digital spin-off, each with a unique business model aimed at meeting customer needs through digital innovation and customization of financial services.

Hype stands out for its focus on young, millennial, and digital customers, offering a completely digital and commission-free banking experience. Its business model is based on providing a free online current account, a contactless debit card, and a wide range of innovative services, such as bill payment and mobile phone top-up, through an intuitive mobile app. Additionally, Hype is committed to providing 24/7 customer support, maintaining a high level of customer satisfaction. Its main source of revenue comes from transaction fees and interest on loans, while costs are largely associated with technology development and maintenance, as well as employee salaries.

On the other hand, Widiba adopts a more personalized financial advisory approach, in addition to the digital platform. It targets a broader range of customers, including investors and savers, offering a customizable online platform and a network of over 500 qualified financial advisors throughout Italy. Widiba's business model is based on providing expert financial advice, investment management, and a wide range of banking products and services, with a strong emphasis on training and customer support. Widiba's revenues mainly come from management fees on accounts and investments, along with trading fees on financial instruments and monthly fees for premium services. Costs are mainly incurred for the development and maintenance of the technological platform, as well as for the salaries of financial advisors.

In addition to business models, it is interesting to examine the key resources and activities of both banks. Hype relies on cutting-edge technology and a team of experienced developers to ensure a seamless digital experience, while Widiba invests in training its network of advisors to provide high-quality advisory services. Both banks face significant costs related to the development and maintenance of their digital platforms, as well as marketing expenses and staff salaries.

In terms of partnerships, both banks collaborate with other financial institutions to expand their range of products and services. Hype has entered into agreements with partner banks to ensure access to a wide range of banking services, while Widiba collaborates with investment funds and asset management companies to offer investment solutions to its clients.

Finally, both Hype and Widiba have promising growth prospects, with clear objectives to increase customer base, expand the range of products and services, and continually improve the customer experience through technological innovation and personalized advice.

In summary, while both banks share the goal of providing innovative and convenient financial services, Hype stands out for its completely digital and commission-free nature, while Widiba places more emphasis on personalized financial advice and the presence of a network of qualified advisors. The key to success for both banks lies in their ability to adapt to customer needs in an ever-evolving banking environment, maintaining a constant focus on innovation, service quality, and overall customer experience.

Revolut and Illimity are both digital native banks with distinct business models that reflect their strategies and corporate objectives.

Revolut presents itself as a global digital bank with a focus on simplifying international financial services through a unified platform. Its business model primarily revolves around facilitating international money transfers and currency exchange without fees.

Additionally, Revolut offers a wide range of financial services, including bank accounts, debit cards, fractional stock investments, and cryptocurrencies. Its main source of revenue comes from fees on foreign currency transactions, interest on deposit accounts, and additional paid services. Revolut's strength lies in its large customer base, innovative technology, and strong brand, which have made it one of the leading players in the global digital banking sector.

Illimity, on the other hand, positions itself as an Italian bank with a customer-centric and innovative approach. Its business model focuses on providing personalized financial solutions for small and medium-sized enterprises, affluent retail customers, and professionals. Illimity offers a wide range of financial services, including loans, mortgages, investments, and financial advisory. Its main source of revenue comes from loan interest, fees on financial services, and returns on investments. Illimity's strength lies in its ability to offer personalized financial solutions supported by innovative technology and a network of experienced professionals, making it a reference point in the Italian banking sector.

A direct comparison between Revolut's and Illimity's business models reveals some significant differences:

- Geographic Focus: Revolut primarily focuses on global financial services, facilitating international transactions and currency exchange worldwide. Illimity, on the other hand, has a more limited geographic focus, primarily operating in the Italian market and serving local customers and businesses;
- Customer Segments: Revolut targets a wide range of customers, including individuals, businesses, and professionals, offering a unified platform for their financial needs. Illimity focuses on specific customer segments, such as small and medium-sized enterprises, affluent retail customers, and professionals, offering personalized financial solutions to meet their specific needs;
- Revenue Sources: Revolut generates revenue primarily through fees on foreign currency transactions, interest on deposit accounts, and additional paid services. Illimity generates revenue primarily from loan interest, fees on financial services, and returns on investments;

- Technological Approach: Revolut is known for its innovative technology and unified platform, providing a seamless user experience for its customers. Illimity also relies on innovative technologies but places more emphasis on offering personalized financial services supported by a network of experienced professionals.

In summary, while Revolut positions itself as a global digital bank focused on simplifying international financial services, Illimity stands out as an Italian bank focused on customer-centric innovation, offering personalized financial solutions for specific customer segments. Both banks have succeeded in their respective sectors, thanks to their ability to adapt to customer needs and offer innovative financial services supported by cutting-edge technology.

To identify how relevant synergies between the group and the spin-off can be for the growth of banks, it is possible to use a proxy: Customer Acquisition (Average Cost). The average cost per acquired customer has been calculated as the average of marketing expenses over the years divided by the number of customers obtained each year.

$$Customer\ Acquisition\ (Average\ Cost) = \frac{\overline{Marketing\ Expenses}}{\overline{Customer}}$$

From this, it is possible to observe that spin-off banks spend less on marketing for each customer. In fact, on average, the two spin-off banks analyzed previously spent €20,33 to reach each customer, whereas digital native banks have spent over €39 per individual customer.

	HYPE SPA	WIDIBA SPA	REVOLUT LTD	ILLIMITY SPA	SPIN-OFF (average)	DIGITAL NATIVE (average)
Customer Acquistion (Average Cost)	4,08 €	36,57 €	6,96 €	71,33 €	20,33 €	39,14 €

Table 22: Customer Acquisition (Average Cost) (comparison)

SOURCE: Author's analysis

Despite lower investments in marketing, spin-off banks reach a greater number of customers both in the first 5 years of activity (650.000 compared to the 250.000 of digital natives) and in the subsequent years of activity, with over one and a half million compared to 250.000. In the average (highlighted in orange) of customers reached by digital native banks, data from Revolut are not included, as the only international bank with an inevitably larger user base.

	HYPE SPA	WIDIBA SPA	REVOLUT LTD	ILLIMITY SPA	SPIN-OFF (average)	DIGITAL NATIVE (no Revolut) (average)
Customer (after 5 year)	1.000.000	300.000	10.000.000	250.000	650.000	250.000
Customer (2022)	3.000.000	450.000	26.000.000	250.000	1.725.000	250.000

Table 23: Customer in 5 years and in 2022 (comparison)

SOURCE: Author's analysis

Another relevant point is that in spin-off banks of traditional banks, Cash and Cash Equivalents are higher, as these spin-offs are also used as a cash reserve for the banking group. Banca Widiba, given its value proposition more focused on investment, also thanks to synergies with the parent company, has, compared to Hype, lower Cash and Cash Equivalents. Digital native banks have lower Cash and Cash Equivalents also because, not being part of a group, they have a greater need to implement the money creation process (Paragraph 1.1). A particular case is Revolut, which is the bank with the highest Cash and Cash Equivalents: this is due to its value proposition of allowing fee-free international money transfer and currency exchange.

	HYPE S.P.A.	WIDIBA BANK S.P.A.	REVOLUT LTD	ILLIMITY BANK S.P.A	SPIN-OFF (average)	DIGITAL NATIVE (average)
Cash and Cash equivalent/TA	70,69%	45,05%	75,22%	10,71%	57,87%	42,97%

Table 24: Cash and Cash Equivalent comparison

SOURCE: Author's analysis

Confirming what has been said, the parameters of Ayadi et al. (2019) confirm that spin-offs have high Customer Deposits and low Customer Loans, while digital native banks have higher Customer Loans to be more competitive in terms of remunerating Customer Deposits.

	HYPE S.P.A.	WIDIBA BANK S.P.A.	REVOLUT LTD	ILLIMITY BANK S.P.A	SPIN-OFF (average)	DIGITAL NATIVE (average)
Customer loans/TA	8,37%	20,68%	1,45%	50,72%	14,53%	26,09%
Customer Deposit/TL	92,33%	70,90%	89,52%	53,65%	81,62%	71,59%

Table 25: Comparison of the KPIs by Ayadi et al. (2019)

SOUCE: Author's analysis

Moving on the cases of Isybank and Buddybank, an interesting aspect is how the building blocks of the banks that founded them change. The main changes in Intesa Sanpaolo and

UniCredit concern particularly the customer segments, the value proposition, the channels, the customer relations, and the revenue streams.

Regarding the customer segments, Isybank and Buddybank may bring a diversification of the customer base of their parent banks. Intesa Sanpaolo and UniCredit, traditionally oriented towards a broader and more heterogeneous clientele, may now focus more on specific segments such as young people, digital professionals, or those seeking a more personalized and technologically advanced banking experience.

The new value propositions introduced by Isybank and Buddybank may push Intesa Sanpaolo and UniCredit to review and improve their offerings of products and services. For example, new digital solutions, personalized advisory services, or innovative features may be introduced to meet customer needs and remain competitive in the digital banking market.

The distribution channels promoted by Isybank and Buddybank are digital ones such as mobile apps and websites for the distribution of their banking services. This could push Intesa Sanpaolo and UniCredit to further strengthen their online presence and invest in digital technologies to improve accessibility and user experience through these channels.

Changing the previous building blocks inevitably also changes the customer relation. The more customer-oriented and relational approach of Isybank and Buddybank could lead Intesa Sanpaolo and UniCredit to strengthen their relationships with customers, offering more personalized support and financial advice through digital channels or even physical ones, such as branches or advisory centers.

Finally, the new revenue sources introduced by Isybank and Buddybank, such as transaction fees or monthly fees for premium services, may push Intesa Sanpaolo and UniCredit to explore alternative business models and diversify their sources of income beyond traditional banking fees.

3. Social listening analysis and Management interviews

Within this chapter, an analysis of social listening for the six digital banks examined in Chapter 2 is conducted, along with interviews with three managers to understand which type of bank is more likely to remain competitive in the future. This chapter examines the consumers' perspective through social listening analysis and the internal perspective of managers through interviews.

Since digital banks commonly reach consumers through mobile applications, it was deemed useful to analyze consumer comments on the main app distribution platforms currently available on the market, rather than on the social networks typically used for such analyses. Additionally, analyzing reviews for the six banks on Trustpilot, one of the world's largest online review platforms used by millions of consumers, was found to be useful for understanding the general level of consumer satisfaction with the banks.

Social listening is an innovative technique for understanding stakeholder opinions, whose use has increased and become more useful with the advent of digitalization. Interviews were conducted with five managers, each representing a category of digital bank. In fact, Dr. Noviello, Head of Communication and ESG business units at Isybank, and Dr, Giordano, Senior manager in Corporate communication of Hype, and Dr. Zetti, Head of Marketing of Hype, represented digital spin-off banks; while Dr. Maurizio Talarico and Dr. Valeria Alunni, respectively Head of Lending and of Branches in Italy and Head of Communication with a focus on Public Relations at Revolut, represented digital native banks. The interviews helped to confirm the thesis under discussion by comparing it with the perspective of those managing these banks.

Through this chapter, it will be possible to understand how satisfied consumers are with the two categories of digital banks and what strategies are employed by the managers of these two categories of digital banks.

3.1 Social listening

Reputation management has become crucial for companies, especially in the contemporary digital context. Social listening, used by Widiba bank (Paragraph 2.2), is a tool employed to understand stakeholder opinions, particularly those of customers, about companies and effectively manage their online reputation. In social listening analysis, the most frequent themes include customer satisfaction, product/service quality, corporate social responsibility, and corporate ethics. By reading and analyzing these reviews through this tool, companies can understand their critical points and make improvements. For this reason, the analysis tool in question can be defined as a game changer (Westermann and Forthmann, 2020).

Social listening analysis is a research tool based on the analysis of large volumes of data from social media, using advanced social listening tools to monitor and analyze online conversations (Westermann and Forthmann, 2020). To conduct the analysis, it is necessary to select the social media platforms to be considered. Typically, Twitter (now "X"), Facebook, and Instagram are selected, although the platforms to be analyzed vary depending on the company, industry, geographical area, and other factors (Ballestar et al., 2020). In the case of digital banks, I considered it relevant to analyze:

- Trustpilot (https://it.trustpilot.com): It is one of the world's largest online review platforms and is used by millions of consumers to share their experiences with companies and other consumers and to make informed purchasing decisions.
- App distribution platforms: Apple AppStore and Google Play Store are the two main digital distribution platforms designed to allow users to download and install applications on their mobile devices.

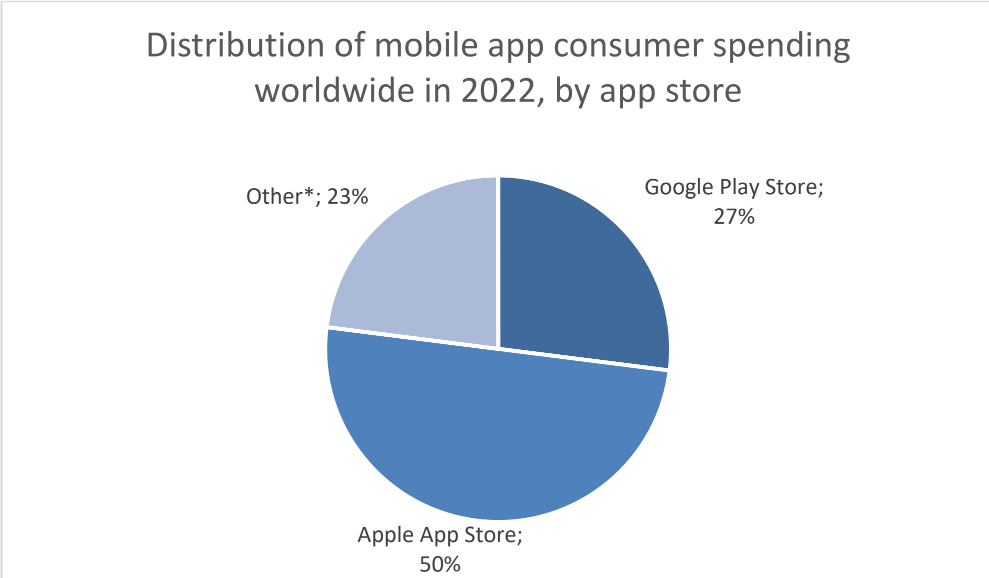


Figure 15: Distribution of Mobile app consumer spending worldwide in 2022, by app store

SOURCE: Statista, 2023

Digital banks deliver their services through their online website and (primarily) the application. Trustpilot analysis provides insight into the customer perception and satisfaction of the services and their quality offered by individual banks. Meanwhile, analyzing reviews on the app distribution platforms is useful to understand how satisfied customers are with the ease of use (a feature that all analyzed digital banks claim to have) of the platform through which the service is delivered. After all, the platform replaces the physical branch in service delivery and daily customer interaction, so it must not fall short.

The three platforms we consider (Trustpilot, AppStore, and Play Store) base their review system on a Likert scale, as consumers can give the company from 1 to 5 stars and a field to input qualitative comments. Therefore, social listening has significant advantages but also disadvantages to consider.

The main advantages include:

- Better understanding of stakeholders: Social listening enables obtaining a comprehensive view of stakeholders' opinions and perceptions of organizations.
- Timely identification of issues and opportunities: Through social media data analysis, organizations can quickly identify emerging issues and improvement opportunities.

- Improvement in reputation management: By using social listening, organizations can more effectively manage their online reputation by promptly responding to stakeholder feedback and addressing concerns.

The main disadvantages are:

- Bias in data: Data collected through social listening may be influenced by biases or distortions, as not all social media users represent an accurate representation of stakeholders.
- Difficulty in interpreting data: Correctly interpreting data collected through social listening can be complex and require specialized skills to avoid incorrect or superficial interpretations.
- Risk of negative reactions: If organizations do not appropriately respond to negative feedback identified through social listening, they may incur negative reactions from stakeholders, further damaging their reputation (Westermann and Forthmann, 2020).

3.1.1 Social listening analysis of the cases

This comprehensive analysis examines key aspects of digital banks, including user experience, customer service, technical issues, features, costs, and overall user satisfaction, incorporating ratings from the App Store, Google Play, and Trustpilot.

The first relevant aspect of digital bank is the <u>user experience and app intuitiveness</u>. When evaluating user experience and app intuitiveness, Hype stands out with high ratings for ease of use and an intuitive design, with 88% positive feedback on the App Store and 77% on the Google Play Store. Specifically, Hype's private user app has a 4.7-star rating on the App Store and a 4.3-star rating on Google Play, while the business user app holds 4.6 stars on both platforms. Similarly, Widiba receives positive feedback, with 81% positive reviews on the App Store and an overall rating of 4.6 stars, although its Google Play rating is slightly lower at 4.1 stars. Revolut excels in user experience with an impressive 94% positive rating on the App Store and 98% on Google Play, maintaining a consistent 4.8 star rating on both platforms. Illimity also performs well, with 94% positive feedback on the App Store and 93% on Google Play, reflected in its 4.5-star ratings on both platforms and no feedback on the new app for business consumers. In contrast, Isybank, being a newer entrant, has mixed reviews. Despite a decent review on the app stores (4.3 stars on the App Store and 4.1 stars on Google Play), it faces significant challenges reflected in its low Trustpilot rating. Buddybank shows a similar pattern, with positive feedback on the App Store (4.5 stars) but slightly lower ratings on Google Play (4.2 stars).

The second key aspects of a digital bank are the customer service, that represent a critical area where the digital banks show considerable variation. Hype receives praise for its customer service on the App Store but faces criticism on Trustpilot, where it holds a 2.5 star rating from 2474 reviews. Widiba's customer service is generally appreciated, though some users report long wait times and inadequate responses, resulting in a 3.6-star rating on Trustpilot from 861 reviews. Revolut presents mixed reviews in this domain, with positive feedback in app stores but criticism for ineffective customer service on Trustpilot, where it holds a 4.2-star rating from 152296 reviews.

Illimity is praised for its available customer service, though Trustpilot feedback suggests there is room for improvement, reflected in its 2.7 star rating from 293 reviews. Isybank receives significant criticism for its automated service and difficulty in reaching operators, earning a low Trustpilot rating of 1.5 stars. Buddybank, while noted for prepared customer service in app reviews, faces heavy criticism on Trustpilot, resulting in a 1.7 star rating from 1075 reviews.

Another relevant aspect are the technical issues, that are a common concern across the banks. Hype, Widiba, and Revolut all experience reported technical problems such as bugs and crashes, though Revolut's issues particularly impact services like investments. Illimity's technical problems are often related to secondary aspects like notifications but are generally reliable. Isybank, as a new entrant, has frequent technical issues noted on Trustpilot, though fewer problems are reported in app reviews. Buddybank faces similar issues across platforms but is noted for quickly resolving them.

Moving on features and functionality of the application, Hype offers comprehensive services including instant transfers, payments, budget management, and investment tools. Widiba similarly provides a wide range of services, including investments and certified email (PEC). Revolut excels with a vast array of features, from currency exchange to money transfers, investments, and savings tools. Illimity offers a broad range of features, though some basic services are available only in premium plans. Isybank is still developing its features with frequent updates, while Buddybank provides comprehensive services including loans and investments, though it lacks some functionalities.

Also costs and transparency are crucial factors. Hype is appreciated for its low costs, with no monthly fees for current accounts. Widiba also garners positive feedback for its competitive pricing. Revolut is noted for low costs, especially for international transactions. Illimity offers competitive costs and good deposit rates, though some users note issues with transparency. Isybank receives mixed reviews regarding costs, with some users praising its competitive pricing while others highlight a lack of transparency. Buddybank is praised for transparent costs in app reviews but criticized for hidden fees on Trustpilot.

So, the overall user satisfaction varies significantly. Hype generally receives positive feedback in app stores but mixed reviews on Trustpilot. Widiba is positively reviewed in app stores but has room for improvement on Trustpilot. Revolut consistently receives high ratings across all platforms, indicating strong user satisfaction. Illimity shows positive feedback in app stores but mixed reviews on Trustpilot. Isybank, being new, has mixed reviews overall with significant negative feedback on Trustpilot. Buddybank enjoys positive reviews in app stores but faces significant challenges on Trustpilot.

Digital bank	App Store Rating (app for private user)	App Store Rating (app for business user)	App Store Rating (app for < 18 user)	Google Play Rating (app fo private user)	Google Play Rating (app for business user)	Google Play Rating (app for < 18 user)	Trustpilot rating
Hype	4,7	4,6	N/A	4,3	4,6	N/A	2,5
Widiba	4,6	N/A	N/A	4,1	N/A	N/A	3,6
Revolut	4,8	4,9	4,7	4,8	4,8	4,6	4,2
Illimity	4,5	0	N/A	4,5	0	N/A	2,7
Isybank	4,3	N/A	N/A	4,1	N/A	N/A	1,5
Buddybank	4,5	N/A	N/A	4,2	N/A	N/A	1,7

Table 26: Grade Summary

SOURCE: Author's analysis

In summary, Revolut consistently scores high across all platforms, making it the best overall rated digital bank. It excels in user experience, features, and cost efficiency. Illimity and Revolut lead the rankings in app stores, while Revolut also stands out on

Trustpilot. Conversely, Isybank and Buddybank have the most room for improvement, particularly in customer service and technical reliability, as reflected by their low Trustpilot ratings. These findings highlight areas for potential improvement for each bank to enhance user satisfaction and trust.

3.1.2 KPIs

All digital banks have created an application as the main method through which customers use the bank's services in order to deliver their value proposition. While there are no significant differences between spin-off digital banks and digital native banks in this regard, there are other important distinctions.

The development of activities in the digital realm is also carried out to increase interaction between the supply side and the demand side. In this case, it is possible to create a Key Performance Indicator (KPI) that measures the level of interaction between consumers and the bank, equal to the sum of the number of comments written by consumers on platforms (such as the App Store or Play Store) divided by the total number of consumers.

$$Level\ of\ interaction = \frac{\text{N. of reviews (Appstore, Play Store)}}{\text{Tot. N. Consumers}}$$

In this way, it will be possible to understand how much customers consider themselves an active part of the bank. The count does not include the number of reviews on Trustpilot because it is assumed that a user writes the review either on the app distribution platforms or on Trustpilot, avoiding duplicating the operation.

From this analysis, it can be noted that digital native banks have significantly higher consumer interaction (more than double). This may be due to two main factors:

- As they do not belong to a banking group, they more frequently ask consumers for feedback in order to improve their offered services.
- As they do not belong to a banking group, consumers write more reviews to improve the bank or inform other potential consumers.

	HYPE	WIDIBA	REVOLUT	ILLIMITY	Spin-off (average)	Digital native (average)
Level of interaction	0,38%	3,67%	8,20%	2,53%	2,02%	5,36%

Table 27: Level of interaction

SOURCE: Author's analysis

Once again, the cases of Isybank and Buddybank are particularly interesting. Isybank, a spin-off digital bank, has a level of interaction higher than the average of previously calculated spin-off banks. On the other hand, Buddybank, which is a spin-off digital bank but appears much like a premium service offered by the bank to its own account holders, has an extremely high level of interaction compared to the average. In this case, the proximity to Unicredit could once again prove to be relevant, or it could simply be a strategic choice: to improve the service and increase the number of consumers, the bank often asks for reviews to be written.

	ISYBANK	BUDDYBANK
Level of interaction	3,22%	17,64%

Table 28: Level of interaction (Isybank and Buddybank)

SOURCE: Author's analysis

After understanding that users of digital native banks tend to write more reviews on average than those of digital spin-off banks, it's important to understand whether these additional reviews are generally positive or negative. From the analysis of the ratings that consumers give in the reviews on the app distribution platforms, it can be noted that digital native banks have, on average, a slightly better rating. The rating is the average of the ratings given by consumers on the different platforms (if more than one) across the two platforms analyzed.

	HYPE	WIDIBA	REVOLUT	ILLIMITY	Spin-off (average)	Digital native (average)
Grade	4,6	4,4	4,8	4,5	4,5	4,6

Table 29: Grade

SOURCE: Author's analysis

Even Isybank and Buddybank have a high average rating, and the additional reviews (especially in the case of Buddybank, where there are many) are written to highlight positive aspects.

	ISYBANK	BUDDYBANK
Grade	4,2	4,4

Table 30: Grade (Isybank and Buddybank)

SOURCE: Author's analysis

While on the application distribution platforms, a judgment regarding the bank and the application is provided, Trustpilot allows for a better understanding of customer perception and satisfaction regarding the services and their quality by consumers (Paragraph 3.1).

By including the judgment expressed on Trustpilot in the calculation of the average grade of each bank, the grade decreases for all banks considered: the best case is Revolut, which only loses 0.1 compared to the worst, Illimity, which loses 0.9 (keeping in mind that the maximum value is 5, so losing almost one point is equivalent to losing 20%). Taking Trustpilot into account, digital native banks improve their position compared to spin-off banks (4.1 versus 3.9 out of 5).

	HYPE	WIDIBA	REVOLUT	ILLIMITY	Spin-off (average)	Digital native (average)
Grade (without Trustpilot)	4,6	4,4	4,8	4,5	4,5	4,6
Grade (with Trustpilot)	3,9	3,9	4,6	3,6	3,9	4,1
Delta	- 0,7	- 0,4	- 0,1	- 0,9	- 0,6	- 0,5

Table 31: Analysis on Grade

SOURCE: Author's analysis

Even Isybank and Buddybank worsen their grade when Trustpilot reviews are taken into account.

	ISYBANK	BUDDYBANK
Grade (without Trustpilot)	4,2	4,4
Grade (with Trustpilot)	2,9	3,0
Delta	- 1,4	- 1,3

Table 32: Analysis on Grade (Isybank and Buddybank)

SOURCE: Author's analysis

So, digital native banks have a higher level of consumer interaction (Table 26) who also appear to be more satisfied (Table 28), even when considering variations due to Trustpilot (Table 30). All of this may also be due to the lesser marketing efforts of spin-off banks (Table 22), which attract many customers through synergies with the group but fail to convince them as much as digital native banks (Table 30).

Following this analysis, digital native banks appear to be at an advantage compared to spin-off banks, which have a smaller number of interested consumers. This issue certainly stems from a different origin: consumers of digital native banks are more likely to comment on the bank and its services because they probably use the bank as their primary bank for their savings. Considering that the consumer is rational and will choose the digital bank with the best services as the main bank, the services offered by digital native banks are better This is an important point of advantage for digital native banks that is certainly not easy to recover.

3.1.3 Results

Digital native banks, thanks to their flexibility and focus on technology, seem to have a significant competitive advantage over spin-off banks. Revolut, in particular, stands out as a leader in the sector, thanks to its excellent user experience and cost efficiency. However, spin-off banks such as Hype and Widiba demonstrate that with adequate commitment to innovation, traditional institutions can also remain competitive.

For spin-off banks, the key to success lies in quickly addressing critical areas identified, such as improving technical reliability and customer service, and continuing to innovate to meet the needs of modern customers, leveraging the strength of belonging to an established banking group. Digital native banks, for their part, will need to maintain the pace of innovation and continue to build consumer trust to sustain their competitive advantage in the long term.

Initially, digital native banks have the advantage of cost-effectiveness and a better user experience, but spin-off banks guarantee greater reliability and have a higher potential for innovation. All digital banks have created an application as the primary method through which customers use banking services, showing no significant differences between spin-off and digital native banks in this regard. However, there are other important distinctions.

The development of activities in the digital realm is also aimed at increasing interaction between supply and demand. In this context, it is possible to create a Key Performance Indicator (KPI) that measures the level of interaction between consumers and the bank, which equals the sum of the number of comments written by consumers on platforms (such as the App Store or Play Store) divided by the total number of consumers. This way, it is possible to understand how much customers consider themselves active participants in the bank.

From this analysis, it emerges that digital native banks have significantly higher consumer interaction (more than double); but it is important to understand whether these additional reviews are generally positive or negative. From the analysis of the ratings that consumers give in reviews on app distribution platforms, it is noted that digital native banks have, on average, a slightly better rating. Digital native banks have a higher level of consumer interaction (Table 26), and consumers also appear to be more satisfied (Table 28), even considering variations due to Trustpilot (Table 30). This may also be due to the lower marketing efforts of spin-off banks, which attract many customers through synergies with the group but fail to convince them as much as digital native banks.

This analysis suggests that the future competitiveness of banks in the digital landscape will depend not only on their ability to offer exceptional user experiences and innovative services but also on their ability to build and maintain solid consumer trust as well as innovate their services. Of the present elements necessary to win in the future competitive arena, only the first (exceptional user experience) is an advantage held by digital native banks; the other elements (innovative services, growth and maintenance of consumer trust, innovation potential) are not.

At this stage, spin-off banks appear to be in a strong position compared to digital native banks. Furthermore, the user experience advantage is not a VRIN resource, particularly because it is easily replicable by spin-off banks. The problem with this resource is understanding how much spin-off banks are aware of having this disadvantage. Some doubts easily arise when Hype Bank (Paragraph 2.1) boasts as its value proposition an "Intuitive and easy-to-use mobile app.

3.2 Management interview

In this chapter, there are the insights gathered from interviews with five managers of three leading digital banks previously analyzed: Hype, Revolut, and Isybank. The objective is to delve into the strategies and visions that drive these institutions within the competitive landscape of digital banking. Additionally, the paragraph aims to compare the viewpoints of these managers with the data collected in previous chapters to foresee which type of digital bank might dominate the market in the coming future.

3.2.1 Interview with Hype

The interview with Hype was conducted with Gianluca Zetti, who is the Chief of Business Development and Marketing and Giordano Montrone, who is Corporate Communications Specialist.

Gianluca Zetti has more than eight years' experience at Hype, always remaining in the Marketing area and always achieving excellent results. Similarly, Giordano Montrone has gained extensive experience in Hype's Marketing function.

Responding to the questions is primarily the Chief of Business Development and Marketing of Hype, who immediately highlights a characteristic of Hype, already seen in Paragraph 2.1, namely that Hype is a very particular spin-off bank as it was initially "…a start-up into the Sella Group…" but today it is an independent bank. In fact, according to Zetti's explanation, Banca Hype initially leveraged its affiliation with the Sella Group to increase consumer trust, streamline processes, and benefit from the sector experience of some managers. After the initial phase, Hype obtained the license to become an autonomous bank, significantly distanced itself from the group, and today it is a joint venture between the Sella Group and Illimity.

Exploiting synergies in the initial phase confirms what was stated in Paragraph 2.7, namely that marketing costs per consumer for spin-off banks are lower compared to digital native banks (see Tables 22). The decision to detach from the group is due to the fact that beyond a certain point, the group risks becoming a limitation and consumers might not see the difference, but Hype needs to be different, “Hype needs to be innovative and must keep its promise… simplifying the daily management of money.”

In keeping its promise, manager Zetti connects to the quality of services: “to keep the promise, the services must be of high quality and superior.” Moreover, Hype currently does not offer services such as consumer loans, except in absolutely insignificant forms. This explains the data observed in Table 25. Consumer loans are currently offered through partnerships with external partners and partners within the group. As Hype grows, and today “Hype is growing in double digits,” consumers expect more; therefore, Hype will eventually offer loans to customers without going through the group. Essentially, at this moment, although Hype is an independent company and Sella and Illimity do not limit its strategies except in the normal operation of the board of directors, Hype still significantly leverages strategies with the groups it is part of.

Other relevant aspects discussed during the interview with Zetti and Montrone concern Hype's current objectives and consumer perception. Regarding current objectives, although Zetti's function goal is to increase the number of consumers, the corporate objective is to generate profit. This goal, apparently obvious for a profit-oriented activity, was not initially considered because the parent company provided stability to Hype to grow without having to generate positive cash flows in the short term.

As for consumer perception, the two managers could not indicate whether the consumer expects more from a digital native bank or a spin-off bank. Certainly, “on one side, we expect security while on the other, innovation.” The important thing in their opinion is that the security of the bank, an indispensable element, is a factor in which a spin-off bank comes out winning, gaining greater trust from consumers.

3.2.2 Interview with Revolut

The interview with Revolut was conducted with Maurizio Talarico, who is the Head of Branch and Head of Lending in Italy, and Valeria Alunni, who is the Senior Communications Manager at Revolut.

Maurizio Talarico, before taking on this position, spent over six years at ConTe.it Loans in roles such as Head of Lending, Head of Brokers and Agents Channel, and General Manager. His previous work experiences also include positions abroad, giving Talarico a broad and varied sectoral specialization.

In contrast, Valeria Alunni, who claims to have "witnessed Revolut's growth in Italy," joined Revolut two years after its arrival in Italy. Previously, she garnered additional high level experience in multinational companies specializing in public relations.

Essentially, Talarico manages the bank's lending activities, while Alunni handles the communication area with a focus on Italy and Greece.

To begin with, Alunni emphasizes a recent milestone for them, which is obtaining the license to operate in Italy with an Italian IBAN instead of a Lithuanian one. This activity is occupying a significant portion of Talarico's time, as he coordinates this part in addition to the credit product segment (particularly personal loans) that will be launched shortly. With the acquisition of the Italian IBAN and the ability to offer personal loans, Revolut is growing and continuing the long process of continuous innovation that began with its foundation. Indeed, Alunni states, "...Revolut was born to reduce exchange rate fees... all this with the aim of ensuring greater accessibility for everyone... trading, investments, etc., are now much more accessible thanks to us. Before, it was more complicated with the tools available, whereas in Revolut, there is a section for investments for dummies and a section for trading experts... practically everything for everyone... quality services and innovative services."

Alunni thus emphasizes the importance for Revolut to innovate to remain competitive in the market and indicates that Revolut is entering a second phase of its life cycle. Until now, it had low customer loans (Table 25), as observed in Paragraph 2.7, and only in recent years has it not been at a loss. "...now we need to generate profit...". To achieve the goal of profitability, customer loans will increase, and Cash and Cash Equivalents will decrease (Table 24). Additionally, at this time, it was possible to analyze data related to 2022 in Chapter 2, a year in which loans were active only in two or three countries where Revolut operates.

Moving on to a critical point for digital native banks like Revolut, Alunni, given her position, confirms the thesis supported in Paragraph 2.7: marketing costs for digital natives are certainly high. "...convincing customers was not easy at the beginning... we did a sort of financial education... gaining trust was very difficult at the beginning... In 2017, brand awareness was really at very low levels... subsequently, customers tried it, and Revolut grew a lot through word of mouth." Therefore, marketing efforts (Table 22) for a digital native bank are certainly greater in the initial phase, then "thanks to a service you can no longer do without because the costs are cut to the bone, it is innovative and reliable," marketing costs and especially Customer Acquisition (average cost) (see Paragraph 2.7) will decrease.

Relevant to this project is a market analysis conducted by Revolut in 2021 with a representative sample of 1,000 Italians. The main question was what consumers want from a digital bank. 76% of respondents answered "Easy to Use." This factor, as seen in Paragraph 3.1.2, gives digital native banks an advantage, as they receive more compliments on this from consumers. Almost 50% want to save on transactions, 38% want digital banking apps to save time on operations, and 24% want the digital bank to allow more than the usual banking operations, which "...aligns very much with our direction where we have a super app that does much more than a normal bank, is certainly easy to use, and has costs reduced to a minimum."

3.2.3 Interview with Isybank

The interview with Isybank was conducted with Enrico Noviello, who is the Head of Communication and ESG (Environmental, Social, and Governance) functions at Isybank. Noviello brings a wealth of experience from the banking industry, having held prominent roles such as Head of Marketing and Partnerships at Intesa Sanpaolo Group for over seven years, Head of Organization & Change at ING Bank Italy for nearly three years, and Head of Customer Experience & Progress at ING Direct Italy for more than eight years.

At Isybank, Noviello is responsible for defining communication strategies and supporting various functions through service contracts with the Intesa Sanpaolo group.

During the interview, Dr. Noviello confirmed the theses supported so far. He emphasized that being part of a well-established banking group is a significant advantage for Isybank, enhancing trust rather than being a limitation.

First of all, Dr. Noviello emphasized the importance of the group in reducing costs and increasing operational flexibility within the organizational structure: Isybank maintains a team of 40 employees, supplemented by around 120 service contracts with the parent company. This setup allows for a flexible and efficient operational model, utilizing Intesa Sanpaolo personnel as needed, such as during new service launches. As stated by the Isybank manager, "...This is a scalable growth mechanism that allows great flexibility, which not everyone can boast of..."

The main advantage of belonging to a banking group lies in the lower effort required to gain consumer trust. Dr. Noviello is keen to underline that "...the consumer stays with the bank where they receive superior service, and we are committed to this (for example, the response time of our call centers is 29 seconds, and a consumer who has problems with the bank does not want to waste time withdrawing their money), but first, you have to win them over, and if you tell them you are a spin-off of Intesa Sanpaolo, they trust you...". This statement confirms the evidence presented in Paragraph 2.7 and particularly summarized in tables 22: the costs incurred to win consumers are halved for spin-off banks compared to digital native banks, and thus, consumers five years after the foundation are more numerous in spin-off banks.

Thanks to belonging to a group like Intesa Sanpaolo, which has professionals with over thirty years of experience, the new managers of the young spin-off bank were also able to avoid marketing campaigns that would have incurred potentially higher costs to fix damages. An interesting story involves a proposed excessively irreverent advertising campaign, concluding with Noviello stating, "imagine how much we would have had to spend to rectify this campaign that we thought would be positive but would have been harmful."

The previously cited phrase by Noviello, where he states that "...the consumer stays with the bank where they receive superior service, and we are committed to this...", also connects with the thesis supported in the Paragraph on social listening analysis, particularly in Paragraph 3.1.2: the consumer will choose the digital bank mainly based on the quality of the services offered, without distinctions between digital native and spin-off banks. Still, in Paragraph 3.1.2, it is evident that digital native banks win in this aspect, but Noviello is keen to point out that "...being a bank of the Intesa Sanpaolo group, we do not offer a thousand services to the customer confusing them, but as soon as they request service X, we provide it to them very quickly by exporting it from the group." This statement by Noviello represents an important point of the analysis: although spin-off banks offer lower quality services compared to digital native banks, they have a greater margin for improvement. In fact, "...Isybank can quickly expand its offerings by leveraging the parent company's resources."

As observed in Paragraph 2.7, particularly regarding the presence of high Cash and Cash Equivalents, high customer deposits, and customer loans in digital banks in general, Isybank represents a special case: customer loans are higher compared to the previously analyzed competitors. Noviello's answer to this question is absolutely exhaustive: "Isybank's current clients, many of whom are former Intesa Sanpaolo clients, have their short- and long-term debts on Isybank's balance sheet...over time, these debts will decrease, and future investments of customer deposits will be managed by the parent group rather than the digital spin-off itself." Therefore, Noviello confirmed that spin-off digital banks have high customer deposits that will then be invested or loaned by the parent group; thus, long-term debts will not be granted by the spin-off Noviello also emphasized that the competitive landscape of digital banking has evolved significantly. Early digital banks disrupted the market with zero-fee accounts, but sustainable profitability is crucial. Spin-off banks like Isybank benefit not only from reduced costs for the parent company but also from creating complementary banking services. Intesa Sanpaolo's physical branches will decrease but not disappear, and long-term profitability will come from expanding the customer base. High-standard services will allow consumers to choose between physical branch banking and high-quality digital banking. Isybank's call center, with its quick response time and high problem-resolution rate, exemplifies this commitment to quality.

In conclusion, the interview with Enrico Noviello provided a clear insight into Isybank's strategies, highlighting the advantages and challenges of being a spin-off of a large banking group like Intesa Sanpaolo. Operational flexibility, parent company support, and a focus on service quality are key elements that could allow Isybank to prevail in the competitive digital banking market.

3.2.4 Results

In this chapter, I will summarize the findings from the interviews conducted with representatives of Hype, Revolut, and Isybank. These insights will support the thesis that spin-off digital banks benefit significantly from their affiliations with established banking groups in terms of consumer trust and reduced marketing costs, while digital native banks must invest heavily in marketing initially but can achieve substantial growth through innovative services and strong customer loyalty. I supported in this thesis project different thesis:

1) Spin-off digital banks leverage their affiliations to gain consumer trust and reduce marketing costs (Paragraph 2.7 and Table 22), while digital native banks initially face higher marketing expenses but can achieve growth through innovation and customer-centric services. This is supported by:
    a. Hype: The interview with Gianluca Zetti, Chief of Business Development and Marketing at Hype, and Giordano Montrone, Corporate Communications Specialist, highlighted that Hype initially capitalized on its affiliation with the Sella Group to gain consumer trust and streamline processes. Zetti emphasized that as Hype grew, it obtained its license to become an autonomous bank, separating significantly from the Sella Group to innovate and deliver on its promise of simplifying daily money management. This independence aligns with the need to differentiate from the parent group to maintain innovation and customer satisfaction.
    b. Revolut: The interview with Maurizio Talarico, Head of Branch and Head of Lending in Italy, and Valeria Alunni, Senior Communications Manager at Revolut, confirmed the high initial marketing costs for digital native banks. Alunni discussed Revolut's journey, stating that convincing customers required extensive financial education and trust-building, as

reflected in Table 22. However, Revolut's continuous innovation and the introduction of an Italian IBAN have positioned it for significant growth. Alunni noted that Revolut's focus on accessibility and comprehensive services has led to a decrease in customer acquisition costs over time, supporting the thesis that digital native banks can achieve growth through innovation and customer loyalty.

c. Isybank: The interview with Enrico Noviello, Head of Communication and ESG at Isybank, reinforced the advantages of being part of a well-established banking group. Noviello emphasized that Isybank benefits from reduced costs and increased operational flexibility due to its affiliation with Intesa Sanpaolo. This affiliation enhances consumer trust, as the parent group's reputation assures customers of reliable services. Noviello's insights confirmed that spin-off banks like Isybank can quickly expand their offerings by leveraging parent company resources, providing superior service quality, and maintaining lower marketing costs, as supported by Table 22.

2) Spin-off banks have lower customer loans because consumer lending is typically handled by other banks within the group, whereas digital native banks need to engage in customer lending to generate profits. This is supported by:

   a. Hype: Zetti explained that Hype currently does not offer significant consumer loans directly. Instead, loans are facilitated through partnerships with external and internal group partners. This approach aligns with the thesis that spin-off banks have lower customer loans because they rely on their parent or partner banks for lending services. Zetti mentioned that as Hype continues to grow, it plans to eventually offer loans directly to customers, moving away from reliance on the group, reflecting the dynamic nature of spin-off banks as they mature.

   b. Revolut: In contrast, Revolut, a digital native bank, has had to engage in consumer lending to drive profitability. Talarico and Alunni highlighted that Revolut's recent efforts, including acquiring an Italian IBAN and planning to launch personal loans, are critical steps towards increasing profitability. Alunni noted that Revolut's focus on innovative and accessible services helps attract customers, but profitability also necessitates expanding their lending operations, thus supporting the thesis that digital native banks must offer customer loans to generate revenue.

c. Isybank: Noviello confirmed that Isybank benefits from its parent group, Intesa Sanpaolo, which handles most of the consumer lending. This relationship allows Isybank to maintain lower levels of customer loans on its balance sheet. Noviello noted that Isybank's current clients, many of whom are former Intesa Sanpaolo clients, have their debts managed by the parent group. This setup validates the thesis that spin-off banks have lower customer loans because lending is conducted through the parent bank, ensuring stability and leveraging the group's resources.

3) The operational flexibility and scalability of spin-off banks are enhanced by their ability to leverage parent company resources, allowing them to offer high-quality services quickly and efficiently. But this depends on the level on integration between the group and the digital bank. This is supported by:

a. Isybank: Enrico Noviello emphasized that Isybank maintains a flexible and efficient operational model by utilizing service contracts with Intesa Sanpaolo. This setup allows Isybank to scale its operations and offer new services rapidly, a distinct advantage over independent digital native banks. Noviello's statement, "...this is a scalable growth mechanism that allows great flexibility, which not everyone can boast of," supports the thesis that spin-off banks can leverage parent company resources for operational flexibility and rapid service deployment.

b. Hype: Gianluca Zetti highlighted that Hype is a spin-off but it is independent from Sella Group; so, Hype has its own structure, staff and operations.

4) Consumer trust is more easily achieved by spin-off banks due to their association with established banking groups, which provide a sense of security and reliability. This is supported by:

a. Hype and Isybank: Both Gianluca Zetti of Hype and Enrico Noviello of Isybank highlighted the trust consumers place in their banks due to their affiliations with established groups. Zetti noted that Hype initially leveraged its affiliation with the Sella Group to build consumer trust. Similarly, Noviello emphasized that Intesa Sanpaolo’s reputation assures customers of reliable service, reinforcing that spin-off banks can more easily gain consumer trust through their established parent companies.

5) Digital native banks need to focus heavily on innovation and user experience to compete in the market, as their initial lack of established trust requires them to differentiate through superior service and features. This is supported by:
    a. Revolut: Valeria Alunni from Revolut stressed the importance of continuous innovation and user experience to attract and retain customers. Alunni stated, "...Revolut was born to reduce exchange rate fees... ensuring greater accessibility for everyone... trading, investments, etc., are now much more accessible thanks to us." This emphasis on innovation and user-friendly services supports the thesis that digital native banks must differentiate through superior service offerings to overcome the initial lack of consumer trust.
6) The long-term profitability of digital banks depends on their ability to expand their service offerings and improve customer retention through high-quality services. This is supported by:
    a. Hype: Gianluca Zetti mentioned Hype’s commitment to providing superior services to maintain customer satisfaction. This commitment underscores the importance of service quality for long-term profitability, as satisfied customers are more likely to stay with the bank and use additional services.
    b. Revolut: Valeria Alunni emphasized Revolut's need to generate profit through increased lending and expanded services. This approach highlights the necessity for digital native banks to broaden their service offerings and improve service quality to achieve long-term profitability and meet customer expectations.
    c. Isybank: Enrico Noviello highlighted Isybank’s strategy of leveraging Intesa Sanpaolo’s resources to quickly meet customer demands. This strategy ensures that Isybank can provide high-quality services promptly,

which is crucial for retaining customers and ensuring long-term profitability.

CONCLUSIONS

The development of this thesis has explored the sector of digital banks, with a particular focus on both native digital retail banks and spin-off banks, through a detailed comparative analysis. The evidence collected, especially from chapters 2 and 3, has allowed us to draw several significant conclusions regarding consumer interaction, satisfaction, and marketing strategies adopted by the analyzed banks.

From the analysis, it has emerged that native digital banks enjoy a significantly higher level of consumer interaction, as highlighted by the data collected (Table 27). These consumers are also more satisfied, as shown by reviews on Trustpilot (Table 32). This success can be attributed to the high investments in innovation and user experience, which allow these banks to effectively differentiate themselves and build a loyal customer base.

Conversely, spin-off banks tend to invest less in direct marketing, saving resources that can then be reinvested to improve issues highlighted by consumers in reviews (Table 22). This strategy results in a slight difference in overall customer ratings (-0.2 out of 5, equivalent to -4%), but in the long term, it could translate into a sustainable competitive advantage. Indeed, the resources saved are allocated to solving specific customer problems, improving service quality and satisfaction over time. Additionally, spin-off banks can make lower investments in marketing compared to native digital banks because, being part of an established group, they already have the trust of consumers.

Further analysis has highlighted how the competitive environment of the digital banking sector is not yet fully saturated, leaving room for the entry of new competitors. However, for native digital banks, market entry could become progressively more difficult due to the initial success of first-movers and the increasing competition that second-movers will face.

Spin-off digital banks, on the other hand, could continue to enter the market by leveraging synergies with traditional banking groups. These synergies include not only operational support and resources from the group but also an established reputation, which facilitates the process of gaining consumer trust. Furthermore, the trend towards digitalization and the reduction of physical branches contribute to lowering operational costs, making these banks particularly competitive.

In conclusion, spin-off digital banks present significant advantages in terms of operational flexibility and the ability to quickly respond to customer needs thanks to the support of their parent groups. On the other hand, native digital banks must strongly focus on innovation and service quality to overcome the initial lack of consumer trust. Both types of banks, although with different strategies, are well-positioned to capitalize on the opportunities offered by the continuously evolving digital banking market.

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TABLE SUMMARY

FIGURE SUMMARY