

Shaping Italy's Financial Future: Traditional Banking Meets Digital Innovation

This blog is based on the findings from the recent C-Innovation report titled "From Disruption to Profit: The Rise of Digital Banking in Europe's Profitability Paradigm," available to Corporate members through the [members' area](#) and also can be purchased [here](#) by non-members.

Javier Vergara
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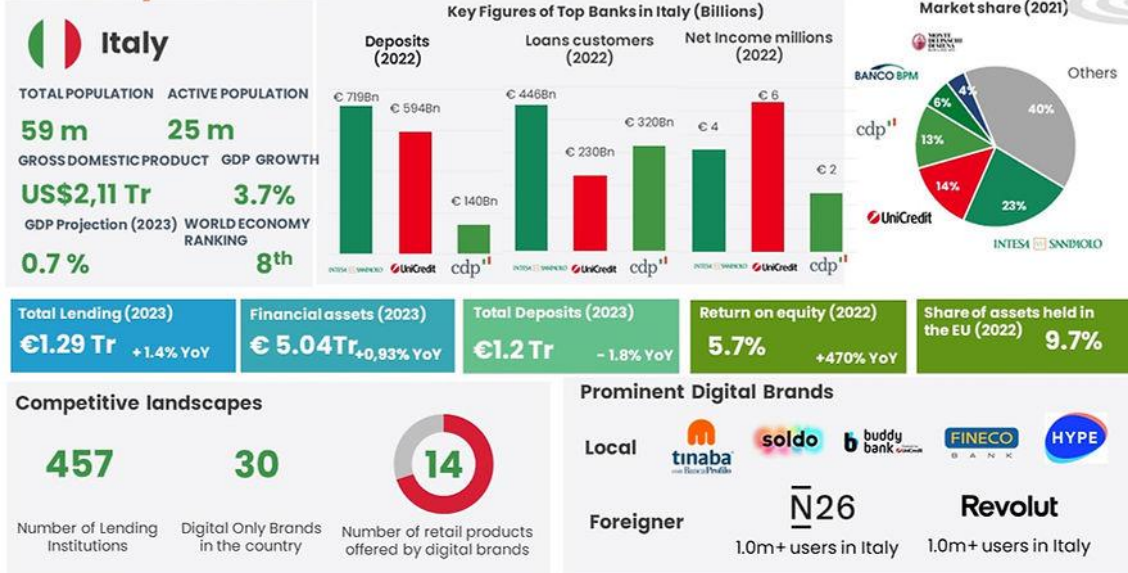
This blog discusses the following:

- Italy's evolving financial landscape, blending traditional banking with fintech innovations.
- The country's growing adoption of digital banking, evident through traditional banks' strategic actions and the rise of digital banking brands.
- Fineco Bank's journey from traditional banking to digital innovation demonstrates adaptability and successful fusion of technology with reputation, retaining customer trust and brand loyalty.
- Intesa Sanpaolo's Strategic Shift to digital banking with Isybank exemplifies strategic response to digital disruption, aiming to serve millions through digital channels, save costs, and diversify into wealth management and ESG initiatives.
- Diverse Digital Banking Approaches: Buddybank focuses on product development, Tinaba emphasizes technology enhancement with roboadvisor and crypto options, while Hype pioneers digital banking and cryptocurrency trading, showcasing diverse strategies in Italy's digital banking landscape.

Reshaping Italy's Financial Landscape: The Rise of Digital Banking Amidst Traditional Giants

The Italian financial landscape has undergone a remarkable transformation in recent years, with a unique blend of traditional banking practices and innovative fintech solutions catering to the diverse needs of customers. While Italy's banking market is dominated by giants like Intesa Sanpaolo, Unicredit, and CDP, who collectively control 50% of the market share, the rise of digital banking is reshaping the industry and captivating investors and customers alike.

Country Profile



Country Banking Profile - Italy

Intriguingly, Italy's banking sector boasts a Return on Equity (ROE) of 5.7% for 2022, trailing behind the European average of 7.7%. However, this seemingly modest figure belies the exciting growth trajectory that the Italian banking sector is currently experiencing. Rapid advancements in digital banking strategies are playing a pivotal role in propelling the industry forward. The concept of ROE encompasses a bank's profitability relative to shareholders' equity. With Italy's ROE growing at a substantial rate, this dynamic reveals a sector ripe for investment and innovation, making it an appealing destination for those seeking to capitalize on this upward trend.

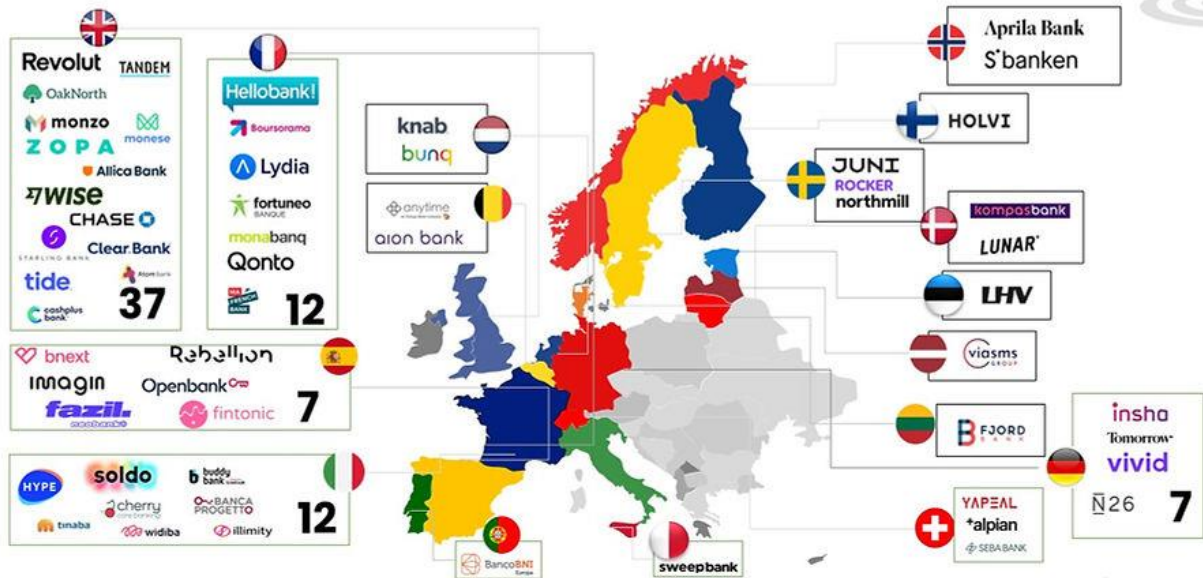
Traditional banking institutions are not shying away from this digital upheaval. They are strategically embracing digitalization by establishing their own digital banking brands. This strategic move empowers them to compete effectively with digital-only players and simultaneously bolsters the resilience of the banking ecosystem, reducing customer acquisition costs in the process.

Italy, although exhibiting lower adoption rates of digital banking compared to some other European countries, presents a promising opportunity for digital banking providers that can adeptly navigate this competitive landscape. The country's GDP projection of 0.7% indicates a current stable economic environment that's conducive to growth.

Italy's Digital Banking Pioneers

Italy's embrace of digital banking is evidenced not only by the strategic moves of its traditional banking giants but also by the rapid proliferation of digital banking brands within the country. This surge in digital banking adoption positions Italy, alongside France, as the second-largest digital banking market in Europe, trailing only behind the UK.

The European digital banking market is now a crowded and highly competitive space.



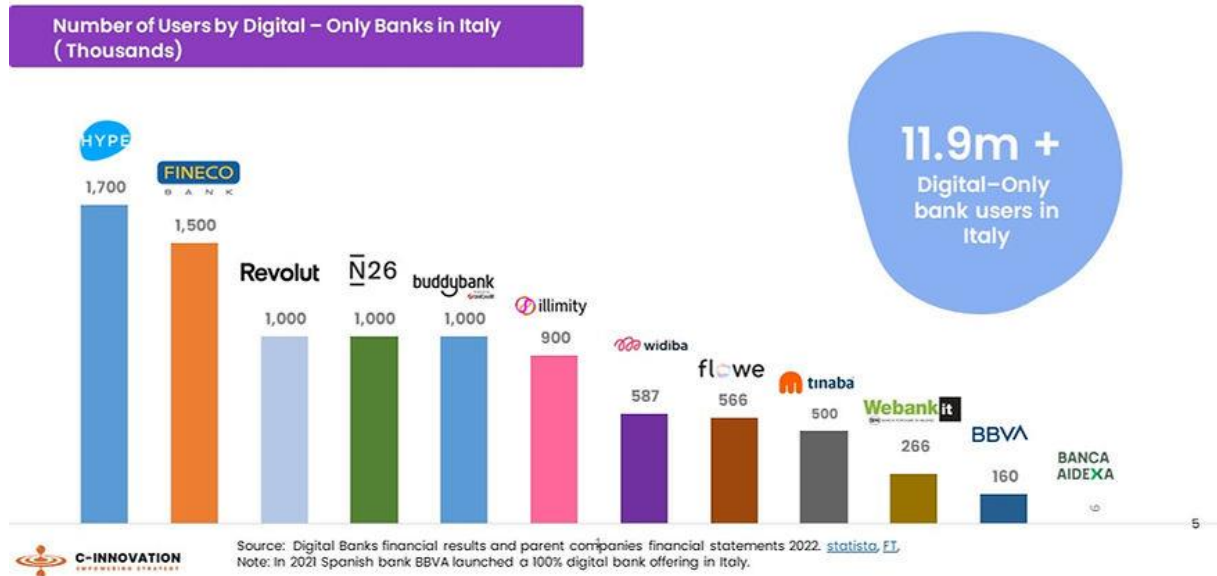
Source: number of banks

Digital Banking in Europe

The United Kingdom has long been at the forefront of digital banking innovation, boasting a staggering 37+ digital banking brands that have revolutionized the way financial services are delivered to consumers. This robust ecosystem has catalyzed the digitization of the financial sector and has set a precedent for other European countries to follow suit. However, Italy's emergence as a key contender in the digital banking landscape, with approximately 12 digital brands, underscores the country's determination to embrace innovation and reshape its banking sector.

In Italy's dynamic of personal digital banking landscape, a number of pioneering institutions have risen to the forefront, revolutionizing the way financial services are delivered and experienced. Leading this charge is HYPE, developed by Banca Sella, which has taken the lead with an impressive user base of 1.7 million individuals. Bolstered by its success, HYPE is setting its sights even higher, aiming to extend its customer reach to over 3 million in the near future. This demonstrates not only the substantial market demand for digital banking solutions but also the potential for remarkable growth within the Italian market.

Hype - Dominating Italian's Digital Banking Landscape



Digital Bank users in Italy

Global financial players are recognizing Italy's potential as a fertile ground for digital banking expansion. One notable entrant is BBVA, a global heavyweight, which boldly introduced a 100% digital banking experience to the Italian market in 2021. Although the traction gained from this endeavor has been somewhat slower than initially anticipated, its very introduction underlines the growing recognition of the significance of digital banking in the Italian context. This move by BBVA is a testament to the changing financial preferences of Italian consumers and a nod to the promising potential that the market holds.

Beyond domestic pioneers and international giants, foreign players such as Revolut and N26 have made their mark in the Italian financial landscape. These newcomers have rapidly established themselves as contenders, each attracting an impressive one million users. Their presence underscores the fierce competition in the digital banking sphere, with these newcomers effectively capturing market share from local brands. Their success attests to the universal appeal of digital banking solutions and the adaptability of consumers to embrace these innovative alternatives.

Fineco Bank: Pioneering Digital Transformation

Fineco Bank's journey from traditional banking to the forefront of digital innovation is a testament to the institution's strategic prowess and adaptability. Founded in 1999, Fineco Bank recognized the need to evolve alongside the digital age, reshaping its offerings to cater to an increasingly tech-savvy customer base. Leveraging its established reputation

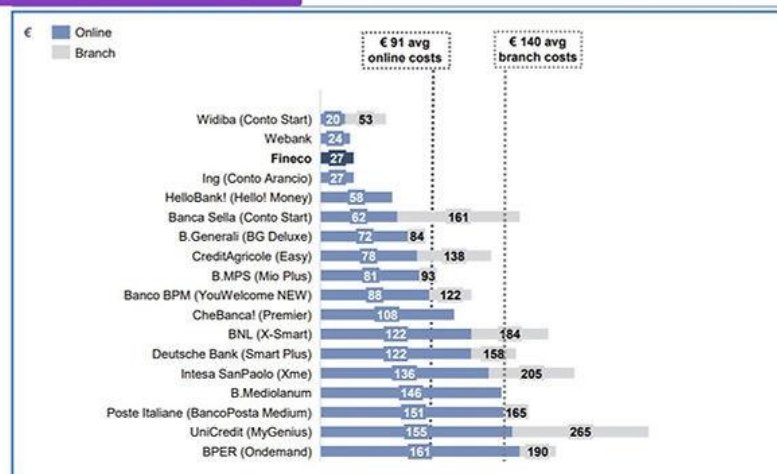
and customer base, Fineco embarked on a journey of innovation that would eventually redefine its identity.

Rather than abandoning its roots, Fineco Bank expertly fused its established reputation with cutting-edge technology. This unique approach set Fineco apart in the digital banking landscape, seamlessly blending tradition and innovation. By offering intuitive digital platforms while retaining its core strengths, Fineco Bank not only maintained customer trust but also cultivated brand loyalty.



Traditional brands in Italy are creating their own digital brands, to compete with digital players and to enhance customer acquisition costs.

Digital Brands Vs Branch network cost in Italy



Source: Q4 22 Results, Fineco, 2023

Digital Brands vs Branch network cost in Italy

Fineco Bank's success lies in its commitment to customer-centricity. The bank's transition empowered customers with convenient access to financial services through traditional and digital channels alike. This strategic adaptation not only met evolving customer demands but also positioned Fineco Bank as a beacon of innovation in the competitive digital banking arena.

Today, Fineco Bank stands as an exemplar of how traditional institutions can gracefully embrace digital transformation, inspiring others to follow suit. The bank's journey underscores the power of harmonizing tradition and innovation, ultimately crafting a seamless banking experience for customers in the digital age.

Intesa Sanpaolo: A Shifting Landscape

While traditional institutions grapple with the challenges posed by the digital age, they are not merely succumbing to obsolescence; they are adapting and thriving in this new era. Intesa Sanpaolo's transition to a challenger, embodied by the launch of Isybank, exemplifies a strategic response to the digital disruption.

Intesa Sanpaolo's strategic launch of Isybank marks a significant inflection point in Italy's financial narrative. With a €650 million investment and the expertise of 400 specialists, Isybank's emergence has reset the trajectory of the bank's growth. By redirecting customers from physical branches to digital services, Isybank aspires to serve 4 million customers and generate approximately €200 million in annual revenues. A projected saving of €800 million by 2026-2027, supported by a reduction of approximately 1,500 branches, further solidifies the transformative impact of this endeavor.

 Intesa Sanpaolo's objective is to achieve Structural Cost reduction through technology-driven strategies by diverting customers from traditional branches.


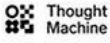




 **isybank** by INTESA  SANPAOLO

Launched June 15th, 2023

- Targets **4 million** customers
- **€200 million** in annual revenues
- **€800 million** a year cost savings
- **~1,500 branch** reduction



Key Features

-  **Cloud-native**
In Partnership with  Thought Machine
-  **Digital Service Model**
APP, Contact Center, ATM's and Payments via.  mooney
-  **Digital Journeys**
Powered by AI Sales
-  **AI Lab**
AI Lab in Turin with 50 Italian and international experts.

Isybank by Intesa Sanpaolo Objectives and Key Features

Isybank's strategic partnership with Thought Machine cements its vision of becoming a leader in operational efficiency and innovation. Thought Machine's technological infrastructure will extend throughout Intesa Sanpaolo's network, ensuring a cohesive digital experience for customers while revolutionizing the bank's operational capabilities.

Isybank's ambitions reach beyond the realm of digital banking. Its aspirations span wealth management, financial advisory services, and ESG initiatives, positioning it as a comprehensive financial institution catering to an array of needs. This strategic

diversification underscores the bank's commitment to staying at the forefront of Italy's evolving financial landscape.

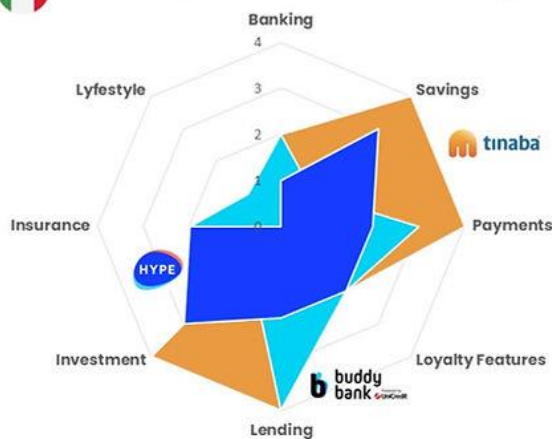
The launch of Isybank by Intesa Sanpaolo signifies more than just a foray into the digital world. It encapsulates a strategic response to a changing financial paradigm, providing the bank with a robust foundation for future growth. The Italian banking landscape, once characterized by traditional establishments, is undergoing a transformation that is not just reshaping institutions but also enhancing customer experiences and redefining the industry's trajectory.

Differentiating the Value Propositions of Digital Banks

In Italy's dynamic digital banking landscape, Buddybank, Tinaba, and Hype have each carved distinctive paths in their product offerings, reflecting different strategic focuses and areas of excellence.

Value Propositions of Selected Digital Banks in Italy

 Value Proposition across Retail Offering



Each brand charted unique trajectories in their product offerings.



Offerings encompass the core aspects of savings, lending, and investment. It could benefit from expanding their portfolio to include insurance, lifestyle-centric and loyalty features



Source: From Disruption to Profit: The Rise of Digital Banking in Europe's Profitability. C-Innovation. 2023

Value Proposition Comparison of Italina Digital Banks

Buddybank: Driving Product Development

Buddybank has distinguished itself through a strong emphasis on product development, delivering a robust suite of offerings that encompass savings, lending, and investment

services. However, while they provide a comprehensive range of financial products, Buddybank could further enhance their offerings in lifestyle-related services, insurance, and loyalty programs, to bolster customer engagement and satisfaction.

While Buddybank's dedication to product development is evident, it's worth noting that their app experience, with an average rating of 4.2 across both the Google Play Store and Apple Store, indicates a room for improvement in terms of user satisfaction. As they continue to expand and refine their offerings, addressing user concerns could potentially bolster their competitiveness in the dynamic digital banking landscape.

Empowering Legacy Banks: Tinaba's Leap into Digital Banking Innovation in 2023

Established in 2014, Tinaba's core mission centers on delivering a convenient and modern alternative to traditional banking methods. Their offerings encompass a suite of services including savings accounts, lending solutions, and investment options, including a notable roboadvisor feature and a cryptocurrency offering.

Tinaba's dedication to enhancing the technological aspects of their services distinguishes them in the market, appealing to tech-savvy customers seeking innovative solutions. While Tinaba's current product portfolio covers essential financial services, a broader range of offerings could better cater to customers' comprehensive financial needs and potentially attract a wider user base.

Notably, Tinaba boasts an average app review rating of 4.4 across both the Google Play Store and Apple Store, reflecting their commitment to providing a user-friendly digital banking platform that resonates with their customer base.

Positioned as a forward-thinking player in Italy's digital banking landscape, Tinaba's strategic emphasis on technological enhancements is evident. As they continue to fine-tune and expand their offerings, Tinaba has the opportunity to solidify its position as a competitive and comprehensive digital banking solution, resonating with users seeking modern and convenient financial services.

In an innovative step forward in 2023, Tinaba is gearing up to launch its latest core banking system. This strategic move is aimed at legacy banks, allowing them to gradually integrate cutting-edge digital banking services into their current information systems. This evolution strongly aligns with the aspirations of traditional players who are eager to modernize their offerings, providing convenient financial services that cater to the ever-changing landscape of the digital era.

Hype: Pioneering Digital Banking and Cryptocurrency Trading in Italy

Established in 2015 under the umbrella of Banca Sella, Hype has emerged as a notable figure in Italy's financial arena. What sets Hype apart is its cryptocurrency trading option. This strategic focus on investment, particularly in the burgeoning realm of cryptocurrencies, distinguishes Hype from conventional banks and positions it as a progressive trailblazer within the digital banking sector.

Beyond its distinctive investment focus, Hype has garnered acclaim for its user-centric approach, prominently exemplified through its user-friendly app. The app's design, seamless navigation, and inherent convenience have garnered positive feedback from users, culminating in an impressive average app review rating of 4.5. This elevated rating serves as a testament to Hype's unwavering dedication to delivering a frictionless and intuitive digital banking platform.

Hype's narrative of success underscores the latent potential that digital-only banks possess. Not only do they provide core financial services, but they also possess the capacity to tap into emerging trends, such as the realm of cryptocurrency trading. As Italy's digital banking landscape continues its evolutionary journey, Hype's innovative approach and steadfast commitment to user satisfaction position it as a formidable contender in shaping the trajectory of banking in the nation.

Unveiling Italy's Digital Potential

Italy's digital banking journey holds promise, with a blend of traditional and digital solutions reflecting adaptability. The stabilizing economy, a positive GDP projection of 0.7%, paves the way for growth. With 12 million digital-only users and initiatives like Isybank, Italy's digital banking landscape is primed for evolution, inviting both traditional and digital players to seize opportunities.

Italy's transformation from traditional to thriving digital banking is ongoing. As the sector evolves, more traditional players are expected to embrace digitalization, fostering a competitive financial services sector meeting evolving consumer needs.

Italy's emergence in Europe's digital banking arena, aligning with France, showcases commitment to innovation. As digital banking gathers momentum, Italy's vibrant ecosystem is set to reshape financial services, enhancing the customer experience nationwide.

