

BBVA: Rebooting Banking for a Digital Economy

ON



OFF

A Defining Vision of a Digital Future

When Francisco Gonzalez, Chairman and CEO of BBVA, said that *“BBVA will be a software company in the future”*, he crystallized the vision of a bank that has been on a transformation journey for the best part of a decade¹.

The journey began close to eight years ago and significant progress has since been made. Today, the Spanish bank can claim 30% of its total customer base of 51 million as digital customers – online and mobile² (see Figure 1). Between 2011 and 2015, the number of BBVA mobile customers has grown by a factor of seventeen, while the number of overall digital customers has more than doubled. BBVA's digital customers are also more engaged than non-digital ones – performing eleven times more transactions annually than traditional non-digital customers³.

How did BBVA achieve this performance? The answer lies in its early embrace of digital transformation, with the bank among the first to recognize the impact of digital technologies. A combination of vision, governance, skills and targeted acquisitions has also played a key role in BBVA's ongoing digital transformation.

“
BBVA will be a software company in the future.

– Francisco Gonzalez,
Chairman and CEO, BBVA

”

The CEO Vision – Transforming BBVA into a Software Company

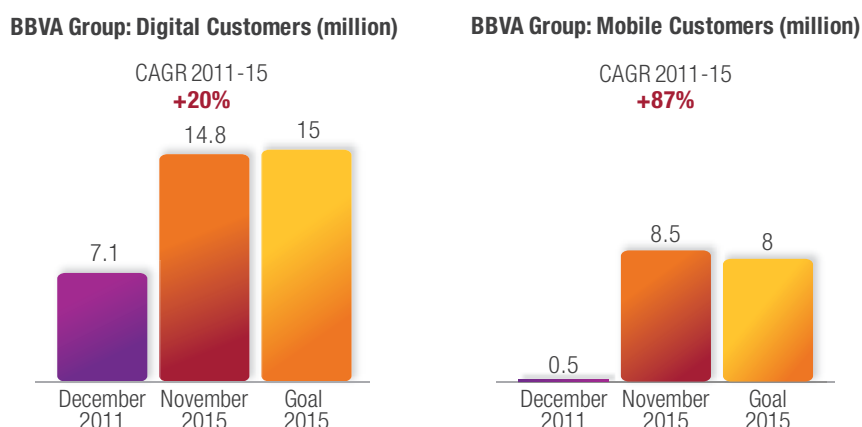
At the 2015 annual shareholders' meeting, Francisco Gonzalez outlined the vision behind BBVA's digital transformation: *“We are building the best digital bank of the 21st century ... Our goal is to turn BBVA into a totally digital company, including all our products and services, and with our more than 100,000 employees working digitally”*⁴. The transformation began with BBVA building out its core technology platform for digital banking, which has played a key role in scaling customer transactions. These grew from 90 million a day in 2006 to 250 million a day in 2013. BBVA estimates it will process between 1.2 billion and 1.4 billion transactions a day by 2020⁵.

In 2014, to accelerate digital transformation across the group, BBVA formed the 'Digital Banking Area', which draws on a variety of functional units, including Marketing, Customer Experience, Technology, and Talent & Culture. The mandate of the Digital Banking Area is to catalyze digital transformation across the entire group, as Francisco Gonzalez explains: *“The Area is directly responsible for developing existing distribution channels, adapting internal processes and designing a new range of digital products and services capable of delivering the best possible customer experience”*⁶.

“
Between 2011 and 2015, the number of BBVA mobile customers has grown by a factor of seventeen, while the number of overall digital customers has more than doubled.

”

Figure 1: Growth in BBVA Digital Customers



Source: BBVA Investor Presentation, “2015 Third Quarter Results”, October 2015; BBVA Presentation, “Digital Banking, Ricardo Forcano, BoAML Digital Banking Revolution Conference”, May 2015; BBVA News, “Results: BBVA earned €2.64 billion (+0.9%); excluding corporate operations”, February 2016

“
We are building the best digital bank of the 21st century ... Our goal is to turn BBVA into a totally digital company, including all our products and services, and with our more than 100,000 employees working digitally.

– Francisco Gonzalez,
 Chairman and CEO, BBVA

”

BBVA has also increasingly engaged with the digital startup community, with the bank acquiring startups such as Simple and Madiva to beef up its digital banking services. In 2013, BBVA also invested \$100 million to establish BBVA Ventures, a venture capital fund that invests in promising startups in the FinTech sector⁷. In 2015, BBVA announced plans to invest £45 million for a 29.5% stake in Atom Bank, UK's first mobile-only bank⁸. In February 2016, BBVA shut down BBVA Ventures, took its \$100 Mn portfolio and added an additional \$150 Mn to create a fintech-focused venture capital firm called Propel Venture Partners⁹. By spinning out the fund, the bank hoped to reach a wider range of companies while working around the challenges of managing ventures in existing large organizations. The strategy behind these moves is to tap into the market of digital customers and to fight disruption by putting customer first¹⁰.

In the sections that follow, we examine how this digital transformation is founded on key principles:

1. Building a strong infrastructure foundation
2. Focusing relentlessly on the customer experience
3. Embracing digital disruption.

“
BBVA has increasingly engaged with the digital startup community, and acquired startups such as Simple and Madiva to beef up its digital banking services.

”

Figure 2: BBVA's Roadmap for Digital Transformation



Source: BBVA Company Website and Annual Reports; BBVA Open Mind, “Francisco Gonzalez - Transforming an Analog Company into a Digital Company: The Case of BBVA”, March 2015; BBVA Open Mind, “Francisco Gonzalez – Knowledge Banking for a Hyperconnected Society”, 2014

Building the Infrastructure for a Digital Business Model

“

To build the banking technological platform from scratch is like changing the pieces of an engine of a lorry as it zooms down the highway.

– Francisco Gonzalez,
Chairman and CEO, BBVA

”

Building the technology infrastructure for digital transformation can be a daunting task, as Francisco Gonzalez notes: “To build the banking technological platform from scratch is like changing the pieces of an engine of a lorry as it zooms down the highway”¹¹. Despite the barriers and risks, BBVA met this challenge head on.

A Technology Platform to Address Changing Customer Expectations

To keep pace with the digital age, BBVA proactively redirected its technology investments from operations to transformation¹². The bank doubled its investment in building technology capabilities from €1.2 billion in 2006 to €2.4 billion in 2013¹³.

After spending about €850 million annually between 2011 and 2013, the platform was released. Its goals were to:

- Develop a platform that is “real-time client-centric, modular and scalable”¹⁴
- Ensure that it can support future customer transaction volumes and data
- Support open innovation
- Strengthen cybersecurity.

The platform is meeting its goals. The bank processed 250 million transactions a day in 2013, compared to 90 million transactions a day in 2006. Volumes are expected to reach between 1.2 billion and 1.4 billion by 2020¹⁵. The platform also enables BBVA to meet increasing security requirements. Technology-driven fraud in 2013 was

less than half that of 2010, even as the attempted attacks on BBVA multiplied by a factor of 60 between 2006 and 2013.

Evolving the Digital Governance Model

BBVA has built and developed an effective governance model for digital transformation (see Figure 3 for the evolution of digital governance):

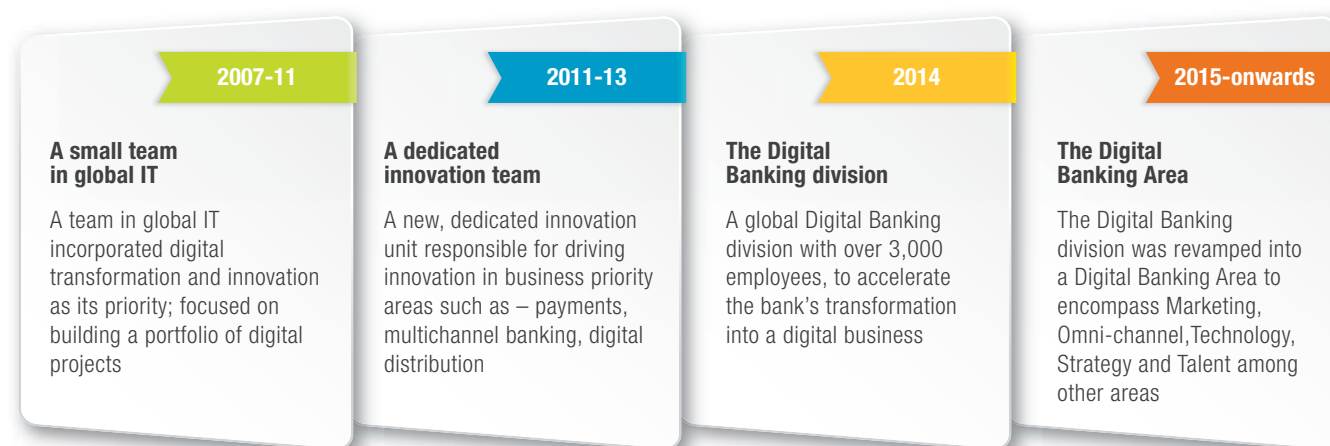
- Early on, when the technology platform was being developed, the responsibility for digital innovation changed hands from a small team in IT to a dedicated digital innovation team. Between 2007 and 2011, this IT innovation team focused on building its digital projects portfolio and developing an innovation ecosystem through partnerships with universities, startups and innovation firms¹⁶.

“

BBVA doubled its investment in building technology capabilities from €1.2 billion in 2006 to €2.4 billion in 2013.

”

Figure 3: Evolution of BBVA's Core Units Responsible for Driving Digital Transformation



Source: Forrester, “Case Study: BBVA Takes An Iterative Approach To Innovation”, July 2015

- From 2011, as demand for digital services through multiple channels and transaction modes increased, the responsibility for innovation was entrusted to a new team in the Global Banking function, strongly connected with IT and focusing on key priority areas such as payments and multichannel banking.
- From 2014, with the technology platform complete, the bank was ready to drive the next phase of the transformation. BBVA created a dedicated Digital Banking division and further remodeled it into the Digital Banking Area in 2015. The unit's main purpose is to act as a catalyst to the digital transformation of BBVA group (see Figure 4). The Digital Banking Area is divided into several functional units, such as, marketing, customer experience, technology, strategy and talent among others.

The capabilities of the unit are also aligned to the priorities of the local business units and their particular market environment, such as developed or developing:

- In developed markets, it works with local business units to transform market offerings, the distribution model, and processes, and is also jointly responsible for the income statement of the local business unit as a whole.
- In developing markets, it is tasked with developing digital offerings for existing "digitized" customers as well as for potential customers in low-income groups. In these markets, the group is only responsible for the income statement of the digital business.

“Through its digital banking platform, BBVA processed 250 million transactions a day in 2013, compared to 90 million transactions a day in 2006.”

“The Digital Banking Area has already launched almost fifty Agile-driven projects involving close to 500 people.”

“The Digital Banking Area is still at an early stage of development. It is attracting and integrating talent, building teams, specifying projects, and creating ties, agreements, and operational schemes with other business and support areas within the Group. But even at this incipient phase results are coming through. The Area has already launched almost fifty Agile-driven projects across all business areas involving close to 500 people”¹⁷.
Francisco Gonzalez

Figure 4. BBVA's Digital Banking Area is the Key Enabler of the Firm's Digital Transformation



Transforming the Banking Experience

Launching the Customer Centric Bank, EasyBank

To deliver a seamless banking experience, BBVA reimagined the design of a retail banking branch to create a more customer-friendly model called the “Customer Centric Bank” or “EasyBank”. The idea is simple – create a place centered on the consumer, offering personalized and easy access to banking services. For example, as Figure 5 shows, ‘pods’ provide a private space for financial advice, where the advisor and the customer can sit side-by-side and use a large screen to discuss products and services.

“*We are developing a seamless physical/virtual space where customers can come and go between the branch office and the virtual world as they please and in perfect continuity*¹⁸.

– Francisco Gonzalez,
Chairman and CEO, BBVA

BBVA also wanted to combine the physical experience at EasyBank with digital elements. In 2010, BBVA started developing a virtual, intelligent banking assistant – Lola – that works like Apple’s mobile assistant Siri and further simplifies customers’ digital interactions¹⁹. BBVA intends to gradually extend the EasyBank model to its branch networks, with some branches being radically remodeled while others infused with a few innovative elements.

Launching New Businesses, Digital Products and Services

BBVA has a long track record in developing innovative digital products and services. In 2008, BBVA launched an innovative online solution to help consumers manage their financial and non-financial information (such as electricity and phone consumption) on one portal²⁰. The service was launched to 4.1 million online users and allowed consumers to analyze their finances, compare them with reference groups and share personalized recommendations on products and services of interest. BBVA was also the first financial institution to launch Visa’s digital wallet in Spain²¹. By end of 2014, the bank had over 4.3 million mobile customers. BBVA was also the first bank to offer commercial NFC payments using Visa’s cloud-based payments.

“*BBVA’s virtual, intelligent banking assistant Lola works like Apple’s mobile assistant Siri and simplifies customers’ digital interactions.*”

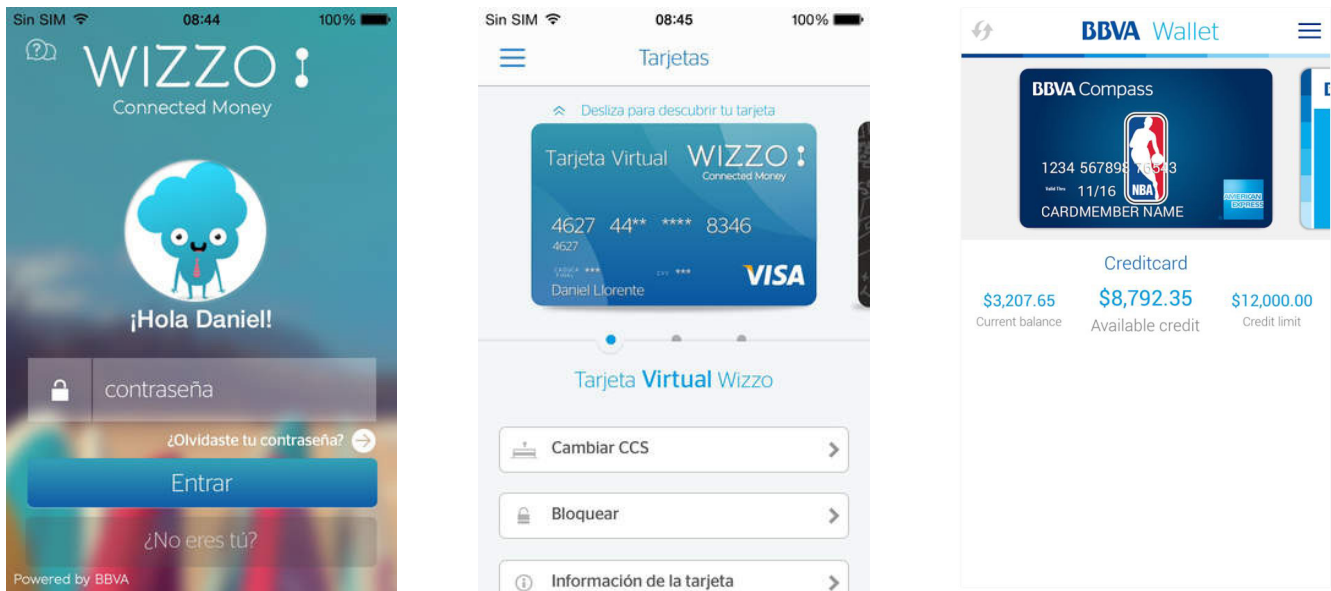
In 2013-14, BBVA created a new category of financial services by launching mobile apps. These included Wallet, which was aimed at customers only, and Wizzo, which was for customers as well as non-customers (see Figure 6)²². The apps make it very simple to make peer-to-peer payments, manage finances, and organize group purchases. The services are aimed in particular at digital-savvy millennials and young students who prefer using smartphones to make payments.

Figure 5: Pods for an Interactive and Comfortable Experience



Source: The Financial Brand, “BBVA’s ‘EasyBank’ Flagship Branch of the Future”, May 2014

Figure 6: BBVA's Wallet and Wizzo Apps Simplify Payments via Easy Money Transfers and Virtual Cards



Source: Wizzo and Wallet app listings on mobile app stores

**“
BBVA's Wallet mobile app is the most widely used mobile banking app in Spain with more than a million downloads.
”**

The apps also include a virtual card that allows users to withdraw money from an ATM without the need for a physical card. The Wallet app is already the most widely used mobile banking app in Spain with more than a million downloads²³. Wallet app transactions are also more profitable than traditional channels. For instance, in Spain, BBVA's Wallet users make 22% more purchases than plastic card users and spend 18% more on average.

In 2014, BBVA also launched a big data company – BBVA Data & Analytics – that specializes in developing knowledge-based digital businesses²⁴. It shares actionable data and insights with its enterprise customers to take their business to the next level. For instance, by analyzing point-of-sale and ATM data, they could determine patterns of shopper movements across a retail district. Smarter use of data is also helping BBVA in its lending practices. As Marco Bressan, Chairman & CEO of BBVA Data & Analytics, explains: “We are currently giving 4 per cent more credit to small and medium business in Spain with zero per cent increased default rate, looking at evidence-based payment data”²⁵.

**“
BBVA Data & Analytics shares actionable data and insights with its enterprise customers, for instance point-of-sale and ATM data, to help them grow their business.
”**

Investing for the Future by Embracing Digital Disruption

“

We see disruption as an immense opportunity that can find new ways to generate growth by offering transparent, ultra-convenient and data-rich solutions for customers²⁶.

– Francisco Gonzalez,
Chairman and CEO, BBVA

”

Scouting and Investing in Digital Opportunities

BBVA's strategy is to engage more proactively with digital disruptors in order to go beyond its own internal innovation efforts, and it has set up a network of innovation centers in key hubs around the world, including Madrid, New York, Bogota and Mexico. BBVA's innovation centers anticipate technology developments and trends by working closely with startups. They also orchestrate public events on developments such as big data, wearables and cybersecurity. Since the launch of this program, BBVA innovation centers have organized 200 events²⁷.

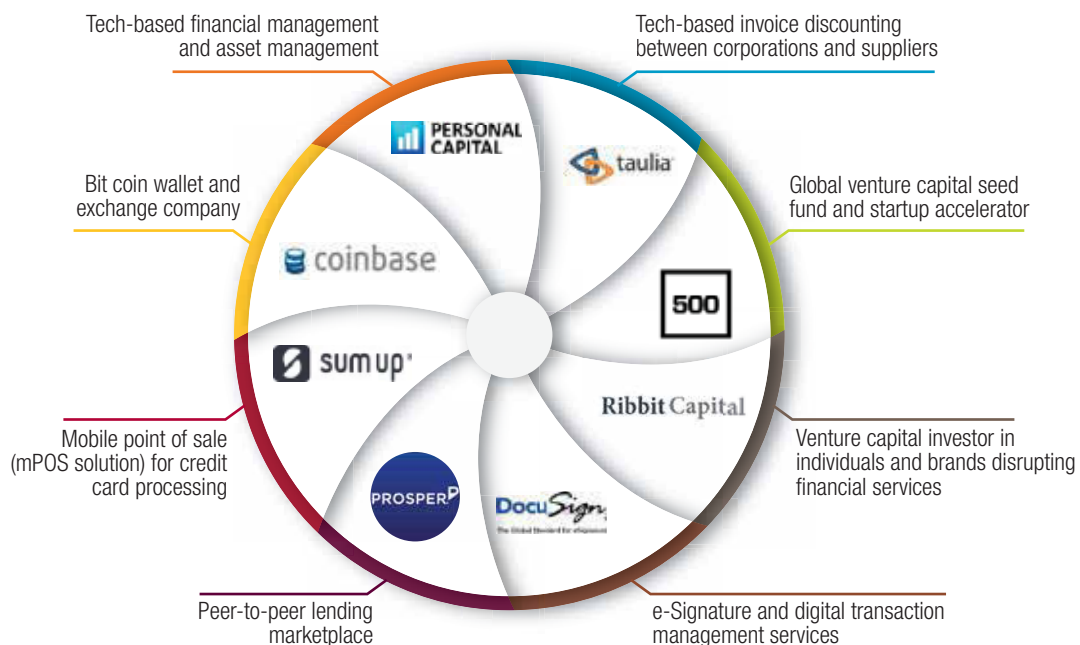
BBVA is also a limited partner in Propel Venture Fund, a VC firm that it created out of its initial corporate venture arm, BBVA Ventures. Propel is a fintech-focussed venture capital firm that focuses on payments, e-commerce, security, among other areas (see Figure 7).

“

BBVA has set up a network of innovation centers in key hubs around the world, including Madrid, New York, Bogota and Mexico.

”

Figure 7: Recent Notable Investments of BBVA



Source: BBVA Website and Press Releases; Capgemini Consulting Analysis

New Frontiers in Open Innovation

BBVA has a long track record, across many years, of partnering with digital startups that are disrupting the financial services industry and, in some cases, competing with the bank's own services. Now, BBVA is looking to add more firepower to its open innovation efforts. BBVA has recently appointed the co-founder and CFO of Simple – Shamir Karkal – as head of Open API, BBVA's program to open up its proprietary data to third-party businesses.

For Shamir Karkal, the Open API program is comparable to Amazon Web Services, the online retailer's cloud business, which uses its technology platform to catalyze new businesses. “BBVA has a huge opportunity to do the same – open up our core platform and services, in turn enabling others to build companies on top of these and thereby helping us build a new business,” he says. This approach, part of BBVA's wider digital transformation, opens up a range of new frontier opportunities:

Making Early Moves to Tap into the Fintech Opportunity. In 2018, a European regulation will mandate banks to open up their data to third parties. BBVA sees this as an opportunity to work more closely with startups in the Fintech ecosystem, which saw \$12 billion invested in Fintech companies in 2014 alone. BBVA has made early moves and opened access to some of its data sets in areas such as customer authentication, personalized payments, card purchases and transaction data.

Nurturing Open Innovation Talent. BBVA is working with a group of partners on the Open API program that will benefit from access to BBVA's resources. In turn, BBVA is looking to capitalize on the talent pools and innovative ideas that these companies have. Since 2008, BBVA has organized an annual global competition – Open Talent – to identify and nurture innovative entrepreneurs and developers that are disrupting the financial services industry. BBVA partners with promising startups from the contest, while early-stage founders get opportunities to participate in immersion programs at BBVA, and network with investors and promoters in the Fintech ecosystem.

Building Innovative Banking Applications. BBVA's experience with open innovation has given rise to several innovative applications. BBVA Compass, BBVA's US-based subsidiary, opened up its payments system to a startup – Dwolla – to enable real-time money transfers between bank accounts. In another application, BBVA analyzed big data relating to the spending behavior of tourists visiting Spain. This BBVA analysis allows the Spanish tourism sector to build a greater understanding about consumption trends at a granular level, such as a tourist's nationality.

Source: BBVA, “Shamir Karkal: building the financial future on BBVA's platform”, February 2016; Finextra, “Former Simple exec joins BBVA as head of Open API”, February 2016; Business Insider, “Spanish bank BBVA just took a big step in the fintech world”, February 2016; Financial Times, “Investment in financial technology groups triples to \$12bn in year”, March 2015; BBVA, “BBVA Open Talent First Edition”, 2009; BBVA, “Dwolla: real application for financial APIs”, Accessed February 2016; BBVA, “‘Big data’ and mapping Spain's tourism sector”, Accessed February 2016

In 2013, BBVA also launched InnovaChallenge MX, an international hackathon for developers, offering €60,000 in prize money for developing innovation applications using BBVA's anonymized customer data. It is one of the few instances in which a bank has opened its data to third parties.

Acquiring Disruptive Startups

BBVA has made a series of targeted acquisitions, and taken equity stakes, in some of the hottest companies in the FinTech sector. In February 2014, BBVA acquired Simple, a fully-digital bank in the US with no physical branches, for \$117 million. Simple's digital-only model eliminates all the fees associated with traditional banking. Simple continues to operate independently and has seen strong growth, such as 2014's announcement of 330% growth in its financial services²⁸. BBVA has also since acquired a big data and cloud computing startup, Madiva, which can value very large property portfolios in hours.

**“
In February 2014, BBVA
acquired Simple, a
fully-digital bank in
the US with no physical
branches, for \$117
million.”**

BBVA has also invested in Coinbase, a bitcoin wallet²⁹. Given increasing interest in digital currencies globally, this stake builds BBVA's understanding of how people and organizations interact with digital currencies. Coinbase gives consumers and merchants the ability to easily buy, sell, store and transact with Bitcoin, and provides developers with the tools they need to create new applications for the currency. As of January 2016, Coinbase had 4.5 million consumer wallets, 41,000 merchants processing bitcoin payments through its platform and 8,000 developer apps based on Coinbase's APIs³⁰.

Collaborating with Startups to Improve the Customer Experience

BBVA recently announced a partnership with OnDeck, a technology-enabled financial platform company that caters to the lending needs of small- and medium-scale businesses. Through this partnership, BBVA will refer small-business customers to OnDeck who may not qualify for a BBVA bank loan. This gives OnDeck access to a larger pool of potential customers while BBVA is able to retain relationships with existing business customers. “We see [OnDeck] as good allies. They allow us to satisfy a need,” says Lonnie Hayes, small business segment director for BBVA Compass. “It allows us to say yes to entrepreneurs more.”³¹.

**“
As of January 2016,
Coinbase had 4.5 million
consumer wallets, 41,000
merchants processing
bitcoin payments through
its platform and 8,000
developer apps based on
Coinbase's APIs.”**

Banking 3.0

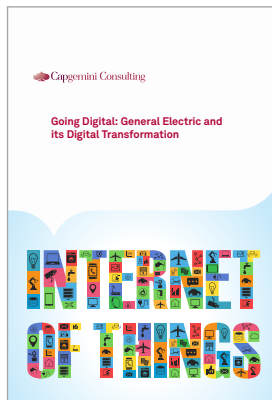
The evolution of the financial services industry continues to accelerate, as changing customer expectations, innovative technologies and increasing regulatory scrutiny disrupt the industry. In this turbulent environment, piecemeal changes will not suffice. Banks need to innovate and to digitally transform if they are to achieve a differentiated position. Our previous research has shown that it is not just investments in digital technology but how you use those investments to transform your company is the key to become a Digital Master³². BBVA offers a compelling example of a bank that has seized this challenge head-on – positioning itself to thrive in banking's brave new digital world.

References

- 1 BBVA, "Francisco González: "The future of banking is decided in places like this one"", March 2015
 - 2 Bank Innovation, "Digital Customers at BBVA Hit 30% of Total", August 2015
 - 3 BBVA, "BBVA earns €2,759m in the first half of 2015", Accessed February 2016
 - 4 BBVA News, "Francisco González: "We are building the best digital bank of the 21st century"", March 2015
 - 5 BBVA Open Mind, "Francisco Gonzalez – Transforming an Analog Company into a Digital Company: The Case of BBVA", March 2015
 - 6 BBVA Open Mind, "Francisco Gonzalez – Transforming an Analog Company into a Digital Company: The Case of BBVA", March 2015
 - 7 BBVA News, "Francisco González: "We are building the best digital bank of the 21st century"", March 2015
 - 8 PR Newswire, "BBVA invests in Atom Bank, the UK's first mobile-only bank", November 2015
 - 9 Tech Crunch, "BBVA Shuts In-House Venture Arm, Pours \$250M Into New Fintech VC Propel Venture Partners", February 2016
 - 10 Euromoney, "Digital banking: BBVA's González – The digital banker", September 2014
 - 11 WIRED Money, "Francisco González on reinventing finance in the digital age", June 2015
 - 12 BBVA moved towards investing 60% of budget in running existing systems and 40% in driving transformation such as new product/service development. It was against the prevailing industry practice of 80% of funds spent on keeping the systems operational and only 20% on transformation.
 - 13 BBVA Open Mind, "Francisco Gonzalez – Transforming an Analog Company into a Digital Company: The Case of BBVA", March 2015
 - 14 BBVA News, "Francisco Gonzalez in the U.S. to present the book 'Reinventing the Company in the Digital Age'", April 2015
 - 15 BBVA Open Mind, "Francisco Gonzalez – Transforming an Analog Company into a Digital Company: The Case of BBVA", March 2015
 - 16 Forrester, "Case Study: BBVA Takes An Iterative Approach To Innovation", July 2015
 - 17 BBVA Open Mind, "Francisco Gonzalez – Transforming an Analog Company into a Digital Company: The Case of BBVA", March 2015
 - 18 BBVA, "Innovation for the 21st Century Banking Industry", 2011
 - 19 TechCrunch, "The Latest Project From Siri-Creator SRI: Lola, An Intelligent Banking Assistant", June 2012
 - 20 BBVA, "BBVA launches 'BBVA tú cuentas', the most innovative personal finance", July 2008
 - 21 Head-count.com, "BBVA will launch V.me digital wallet", October 2012
 - 22 BBVA Press Release, "BBVA creates a new concept of digital financial services with Wizzo", January 2014
 - 23 BBVA, "BBVA Wallet downloaded over a million times", November 2015
 - 24 BBVA News, "Francisco González: "We are building the best digital bank of the 21st century"", March 2015
 - 25 CMO.com.au, "Why Spain's BBVA is opening up customer data analytics for all", June 2015; BBVA Innovation Center, "Project Big Data", Accessed February 2016
 - 26 WIRED Money, Francisco González on reinventing finance in the digital age, June 2015
 - 27 BBVA Innovation Center, "New BBVA Innovation Center in Mexico", December 2015
 - 28 BBVA, "Simple, how a FinTech startup creates its business model in online banking", April 2015
 - 29 BBVA Press Release, "BBVA Ventures Invests in Leading Bitcoin Platform Coinbase", January 2015
 - 30 Coinbase website, accessed January 2016
 - 31 AmericanBanker, Why BBVA Compass Is Sending Customers to an Online Rival, Mary Wisniewski, May 2014
 - 32 "Leading Digital: Turning Technology into Business Transformation", George Westerman, Didier Bonnet & Andrew McAfee, Harvard Business Review Press, October 2014
-

You may also like these papers from our “Digital Masters” series

Take a detailed look into the transformation journey of digital masters



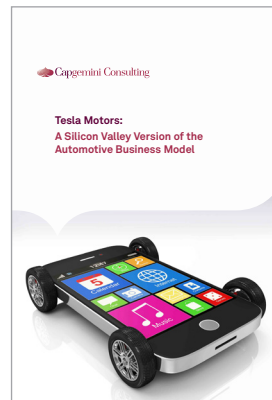
[Going Digital: General Electric and its Digital Transformation](#)



[Walmart: Where Digital Meets Physical](#)



[Doing Business The Digital Way: How Capital One Fundamentally Disrupted the Financial Services Industry](#)



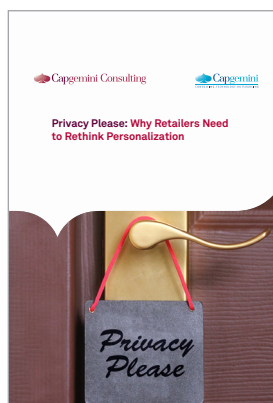
[Tesla Motors: A Silicon Valley Version of the Automotive Business Model](#)

Other research on digital transformation

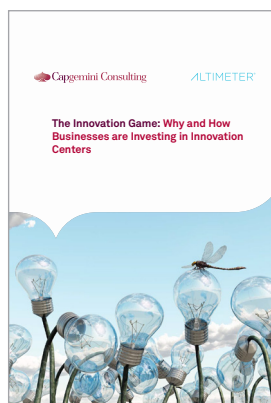
Deep-dive into key issues in digital transformation across sectors and functions



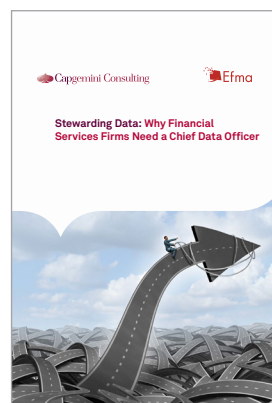
[Organizing for Digital: Why Digital Dexterity Matters](#)



[Privacy Please: Why Retailers Need to Rethink Personalization](#)



[The Innovation Game: Why and How Businesses are Investing in Innovation Centers](#)



[Stewarding Data: Why Financial Services Firms Need a Chief Data Officer](#)

Authors

Jerome Buvat

Head of Digital Transformation Institute
jerome.buvat@capgemini.com

Amol Khadikar

Senior Consultant
amol.khadikar@capgemini.com

Digital Transformation Institute

dti.in@capgemini.com



For more information contact

Jerome Buvat

jerome.buvat@capgemini.com

Didier Bonnet

didier.bonnet@capgemini.com



Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, our global team of over 3,600 talented individuals work with leading companies and governments to master Digital Transformation, drawing on our understanding of the digital economy and our leadership in business transformation and organizational change.

Find out more at: www.capgemini-consulting.com

Rightshore® is a trademark belonging to Capgemini



About Capgemini and the Collaborative Business Experience

Now with 180,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.573 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at www.capgemini.com.