

Digitalization seizes Italy's banks

Competitive forces and Banca d'Italia encourage strategies to grasp online and mobile opportunities

Italian consumers want their banks to offer a wider range of more sophisticated digital products and services, ramping up mobile and desktop innovation among the country's financial institutions.

"From the demand side the request from consumers is rising so that enterprises can really create access to the digital world. We really need to have lots of innovative structures together with the traditional ones," said Ignazio Visco, governor of the Banca d'Italia. "For example, enhancing payments options for households, and access to public administration.

"Digital technology is beneficial to savers as well and can favor inclusion," said Visco. "However, it also introduces new risks and increases vulnerabilities other than the traditional IT risks. We must pay great attention to cyber risks."

Visco was speaking during the launch of Milano Hub, a new innovation centre built to support the digital evolution of Italy's banking sector. Market participants must offer more competitive products and services, do more to protect the consumer, and keep pace with Europe's advancing payments infrastructure said the governor.

For Eoin Creedon, principal consultant at Curinos, there are many prospective growth paths within digital, both for the larger banks and many smaller financial institutions that make up Italy's banking sector.

"These providers really need to make the app experience relevant to the way people use banks in Italy," he says. "It's very branch-centric, so banks have to try to replicate those functionalities, digitally. Some banks we've spoken to are interested in card controls, for instance, because they see them as a good way of getting people to move away from cash."

Curinos analysts dissect the digital offerings of regional, national, and international financial institutions. Leveraging account opening and servicing insights from the [Digital Banking Hub](#), consumer, small business and commercial banks, lenders and other market participants can inspect itemized elements of their competitors' app and desktop environments. The team of analysts investigate clients' digital outreach, which they contextualize with local, national, and international best practices to support roadmap prioritization and development

On a global level, banks' digital offerings have become centered around smooth user experiences and ease of access to encourage regular use. Because consumers and businesses are relying on digital channels much more often, banks are offering advanced money management tools and creating upsell opportunities across different products and services. Established players – regional,

national and neobanks - must keep abreast of this new banking battleground on a regular basis, or risk losing a competitive edge.

From a strategic build perspective, the digital banking servicing experience is segmented by a number of key signposts: login, authentication, settings and profile management. A range of opportunities present themselves for Italian banks as competition gains pace.

Login and authentication

Globally, front runners utilize biometrics for login and authentication processes, to make those processes as seamless as possible. Generally speaking, Italian banks aren't quite that advanced yet, and so are missing opportunities, says Creedon.

"A lot of the Italian banks are using passwords and so they're not really making the journey as smooth and as quick as possible. Because it's not as immediate as biometric authentication, they aren't getting the kind of everyday log in that many banks are because it's just too onerous a process.

"The other trend that goes hand in hand with this – especially to address customers concerned about security – is that a lot of providers now use multi-factor authentication processes to then let the user access desktop via mobile."

Curinos analyzes a number of major Italian banks, benchmarking them against those global and national digital leaders against a long list of criteria. As part of microscopic analysis of the entire user experience, investigations draw out onboarding capabilities, assessing how providers are bypassing traditional means of confirming customer identity.

"Our team regularly dissects the best practices from across the world. We can show the best implementations of seamless, advanced authentication and verification protocols," says Creedon.

Settings and profile management

Over the past couple of decades, branch networks have been on the decline in Italy: in 2007, the total branch count sat at 33,600; by last year that figure had dropped to 23,500. Physical branch closures will only continue, enforced by the pandemic and changing consumer expectations.

A list of everyday functions – such as address, phone number or name change - must be built into the digital interface to allow for a smooth self-servicing experience, bearing in mind compliance requirements and the overall user journey. That's a challenge for providers who need to cater for varying degrees of mobile and online user knowhow.

"Leading providers are removing offline tasks, such as changing address," says Creedon. "To fully digitize banks, need to be able to offer these types of core functions online or on mobile."

Keeping up with changing expectations

Many banks are evolving away from just offering traditional tools. Increasingly, providers at the forefront of digital banking are offering a range of personal financial management (PFM) tools, from savings tips and advice to spending data analysis.

Creedon and his team closely monitor this evolution. In analyzing how these tools work together, he says the best players are those that have ease of navigation that promotes movement throughout the banking platform without being cluttered with too many features or possible paths. Leading providers have even started to allow users to organize the tools in a way that suits their individual needs.

“Ultimately apps are getting bigger,” says Creedon. “Customers are going to want to set up the app the way they want to use it. Advanced daily banking functionalities – such as PFM tools –are really where digital banking is headed, and it’ll be helpful if the customer can configure it themselves and connect to accounts outside their main bank.”

Due to the pandemic, incumbent banks are looking to retain and increase their customer through digitalization and costs optimization journey. Retail banking customers now expect on-demand, fully digitalized experiences, hyper-personalized services, and around-the-clock assistance. Customers need a consistent omnichannel experience with improved support services.

In his speech, the Banca d’Italia’s Visco pointed to the new paradigms of digital identity and the need for Italian market participants to take part quickly and actively in the country’s passage to open finance. Banks large and small must look for technical opportunities to raise the standards of everyday banking for consumers and businesses, he said. Only by analysing the competition will the country’s banks be able to do that.