

**COLEGIO UNIVERSITARIO DE ESTUDIOS FINANCIEROS**

**DOUBLE DEGREE IN LAW AND BUSINESS ADMINISTRATION**

Capstone Project



# **BBVA's formula for digital success**

Pioneering a disruptive digital transformation  
in the Spanish banking sector

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## RESUMEN

Para hacer frente a los principales retos que surgen del nuevo entorno competitivo, BBVA ha diseñado una estrategia de diferenciación centrada en el eslogan “**BBVA, creando oportunidades**”. Esta estrategia busca acelerar el proceso de transformación digital de la entidad a través del análisis de los datos y el desarrollo de plataformas 100% digitales para ofrecer las mejores soluciones financieras, educar financieramente y brindar un asesoramiento personalizado a todos sus clientes, para que así puedan alcanzar sus metas.

*Terminología clave: Big Data, empresas BigTech & FinTech & Telco, eficiencias, tecnología analítica, transformación del negocio, transformación de la cultura corporativa, BBVA App o GLOMO, experiencia del cliente, Metodologías Ágiles y STEM.*

## ABSTRACT

To overcome the main challenges arising from the new competitive environment, BBVA has designed a differentiation strategy written under the tagline “**BBVA, creating opportunities.**” This strategy seeks to accelerate the bank’s digital transformation by analyzing data and developing 100% digital platforms to deliver the best financial solutions, provide financial education, and offer personalized advice to all its customers, so that they can achieve their goals.

*Key Terminology: Big Data, BigTech & FinTech & Telco companies, efficiencies, analytical technology, business transformation, culture transformation, BBVA App or GLOMO, customer experience, Agile Methodologies, and STEM.*

## LIST OF ABBREVIATIONS, ACRONYMS, AND INITIALS

<b>AEFI</b>	The Spanish Fintech and Insurtech Association
<b>AI</b>	Artificial Intelligence
<b>API</b>	Application Programming Interface
<b>AWS</b>	Amazon Web Services
<b>BaaS</b>	Banking as a Service
<b>BAT</b>	Baidu, Alibaba, and Tencent
<b>BBVA</b>	Banco Bilbao Vizcaya Argentaria
<b>CDO</b>	Chief Data Officer
<b>CSA</b>	Customer Authentication Requirements
<b>DCA</b>	Digital Client Acquisition
<b>DIY</b>	<i>Do-It-Yourself</i> services or self-services
<b>GLOMO</b>	<i>Do-It-Yourself</i> Global Mobile Banking Platform
<b>EBA</b>	European Bank Authority
<b>EC</b>	European Commission
<b>ECB</b>	European Central Bank
<b>ENIA</b>	National Artificial Intelligence Strategy
<b>ERTES</b>	Temporary redundancy plans
<b>EU</b>	European Union
<b>GAFA</b>	Google, Amazon, Facebook, and Apple
<b>GDP</b>	Gross Domestic Product
<b>GDPR</b>	General Data Protection Regulation
<b>HICP</b>	Harmonized Index of Consumer Prices

<b>ICO</b>	Official Credit Institution
<b>IMF</b>	International Monetary Fund
<b>INE</b>	National Statistics Institute
<b>LED</b>	lighting has optimized the consumption
<b>MFS</b>	Mobile Financial Services
<b>MiFID II</b>	<i>Markets in Financial Instruments Directive II</i>
<b>ML</b>	Machine Learning
<b>NFHS</b>	Net Financial Health Score
<b>NLP</b>	Natural Language Processing
<b>NPL</b>	Non-Performing Loan
<b>NPS</b>	Net Promoter Score
<b>NTCRS</b>	Net Transparency – Clearness – Responsibility Score
<b>ODS</b>	Sustainable Development
<b>PSD2</b>	<i>European Banking Authority Payment Services Directive 2</i>
<b>RTS</b>	Regulatory Technical Standards
<b>SMEs</b>	Small and Medium Enterprises
<b>STEM</b>	Science, Technology, Engineering, and Mathematics
<b>TCR</b>	Transparency, Clearness, and Responsibility
<b>TLTRO</b>	The Third series of Targeted Longer-Term Refinancing Operations
<b>UN</b>	United Nations
<b>WHO</b>	World Health Organization

# INDEX

<b>1. PROJECT PRESENTATION .....</b>	<b>1</b>
<b>2. COMPANY'S MISSION AND VALUES.....</b>	<b>2</b>
<u>2.1. BRIEF DESCRIPTION OF THE COMPANY .....</u>	<u>2</u>
<u>2.2. MISSION AND VISION .....</u>	<u>2</u>
<u>2.3. VALUES.....</u>	<u>3</u>
<b>3. INDUSTRY ANALYSIS .....</b>	<b>5</b>
<u>3.1. PESTEL ANALYSIS.....</u>	<u>5</u>
3.1.1. Political Factors.....	5
3.1.2. Economic Factors.....	7
3.1.3. Social Factors .....	9
3.1.4. Technological Factors .....	10
3.1.5. Environmental and Sustainable Factors .....	11
3.1.6. Legal Factors .....	12
<u>3.2. PORTER'S FIVE FORCES FRAMEWORK.....</u>	<u>15</u>
3.2.1. Power of Suppliers .....	15
3.2.2. Powers of Buyers.....	15
3.2.3. Barriers to Entry .....	16
3.2.4. Rivalry among the Existing Competitors – Traditional Banks and Fintechs .....	16
3.2.5. Availability of Substitutes – BigTech Companies .....	18
3.2.6. Threats of New Entrants – Telco Firms .....	19
<b>4. COMPETITIVE STRATEGY: DIGITAL LEADERSHIP .....</b>	<b>20</b>
<u>4.1. BUSINESS TRANSFORMATION .....</u>	<u>21</u>
4.2. ORGANIZATIONAL CULTURE TRANSFORMATION.....	21

<b>5. IMPLEMENTATION OF THE STRATEGY .....</b>	<b>23</b>
<u>5.1. ABOVE THE GLASS: REVENUE STREAMS .....</u>	<u>23</u>
5.1.1. Customer Experience .....	23
5.1.2. Customer Experience Indicators.....	26
<u>5.2. BELOW THE GLASS: INCREASE EFFICIENCIES .....</u>	<u>28</u>
5.2.1. Employees (Agile Methodologies & STEM Disciplines).....	28
5.2.2. Innovation and Technologies .....	30
<b>6. BBVA’S STRATEGY ACCELERATED OR DECELERATED BY COVID? .....</b>	<b>32</b>
<b>7. CONCLUSION .....</b>	<b>33</b>
<b>8. BIBLIOGRAPHY .....</b>	<b>I</b>
<b>9. EXHIBITS .....</b>	<b>XIII</b>

# 1. PROJECT PRESENTATION

The digital transformation of the banking sector is considered rather than an option, **A NECESSITY**, due to the lowering of interest rates margins, the substantial increase of regulation enforcement, and the emergence of new players into the market – such as Fintech, BigTech, and Telco companies – forcing the financial and the banking sectors to accelerate its transformation at a pace never seen before.

However, the only thing changing faster than the financial institutions are the customers' behaviors and expectations, who demand more transparency, immediacy, and immersive digital experiences that meet and even anticipate their needs. In other words, customers expect their banks to become “*intelligent banks*.”

Companies realize that a new competitive environment is emerging, where the real challenge is to identify the trends and best practices that will contribute to developing an adequate digital strategy to gain face and increase their market share over their competitors.

For those reasons, the financial institutions must conceive state-of-the-art technologies – such as Big Data, Artificial Intelligence, Machine Learning, and Blockchain – as a mean, not an end. In other words, advanced technologies will be the enabling lever for attaining a disruptive competitive advantage that guides the design of new business models to provide a better and more personalized experience for their customers, increase efficiencies, and reduce costs.

On the one hand, this research project seeks to display a panoramic view of the Spanish banking ecosystem by examining the general and the competitive environment. And on the other hand, the study delves into analyzing BBVA's digital transformation as a competitive advantage to boost its market share and become the leader of the Spanish banking and financial sector in the Digital Era.

*Note for the reader: Although the project is indeed focused on the Spanish market, the digital transformation analysis can be deployed and scaled globally.*

## 2. COMPANY'S MISSION AND VALUES

### 2.1. BRIEF DESCRIPTION OF THE COMPANY

The global financial institution, Banco Bilbao Vizcaya Argentaria (BBVA), was born in 1857 in Bilbao, Spain (Azumendi, 2020). Since then, it has become one of the most recognized, prestigious, and award-winning banks in international circles. Assisting more than 53 million customers across 30 countries (*Exhibit #1*) and being the largest and most important financial institution in Mexico (BBVA Research, 2019).

With over 160 years of experience, BBVA is known to be an agile, resilient, and versatile company, continually adapting to new market trends and leading the digital financial innovation, which has always led it to occupy the first places in the financial sector rankings.

In the Eurozone, BBVA has become one of the top banks both in terms of profitability and efficiency. Moreover, it currently enjoys a strong leadership position in the Spanish market, pioneering the digital transformation by adapting to its clients' needs, diversifying, and investing in high-growth markets, and using state-of-the-art technologies as a key sustainable competitive advantage (BBVA, 2020 – *Annual Report 2019*).

### 2.2. MISSION AND VISION

BBVA is looking forward to building and strengthening a long-lasting relationship with people and providing the maximum value possible to its stakeholders and society. For that reason, BBVA has its eyes on the future, and since 2015, is boosting a digital transformation based on (*Exhibit #2*):

#### A) Three values (*Exhibit #3*)

*What BBVA's strategy is about*

- Customer comes first
- Thinking big
- We are one team

#### B) Six strategic priorities (*Exhibit #4*):

*How BBVA executes the strategy*

- New standards of customer experience.
- A first-class workforce
- Digital Sales
- New business model
- Optimize capital allocation
- Unrivalled efficiency

Therefore, in order to make visible its new purpose, in February 2019, BBVA came up with its new mission statement, ***“to bring the age of opportunities to everyone,”*** written under the tagline ***“BBVA, creating opportunities”*** (Exhibit #5) (News BBVA, 2018 – *BBVA’S New Tagline*).

These statements are showing how BBVA is profoundly changing the way it does things and demonstrate its purpose to 1) gaining people’s trust through a digital value proposition and 2) offering the best customer experience through designing tailor-made solutions that fit each customer’s needs and guiding them to make the best financial decision.

## 2.3. VALUES

BBVA is based on three fundamental principles (BBVA, 2020 – *Annual Report 2019*):

- i. ***CUSTOMER COMES FIRST***: BBVA has always been a customer-oriented company. Due to the new mission, clients will always come first before everything else, which means that the financial institution pursues a holistic customer vision based on empathy, integrity, agility, and flexibility.
  - **Empathy**: BBVA puts in their customers’ shoes to better understand their wants and needs.
  - **Integrity and Transparency**: all the operations are legal, transparent, and morally accepted by the society it operates in. Moreover, it seeks to perform ethically in all its activities and projects with the different stakeholders and offer access to clear and truthful information within the limits of legality.
  - **Agility and flexibility**: the bank wants to meet its customer needs, overcome any difficulties, and offer suitable products and financial services to help its clients accomplish their goals.
- ii. ***THINKING BIG*** does not only refer to lead with innovation, but to improve people’s lives. BBVA wants to keep growing, improving, and thriving by seeking *excellence as a standard*.
  - **Ambition**: leaving the comfort zone and defining ambitious and challenging objectives to create a positive and protracted impact in society.

- **Stand out:** only by thinking and behaving differently you can stand out. That is why BBVA is always innovating and testing new ideas to generate more value for its stakeholders.
- **Pursue greatness:** seeking excellence is a priority to create unique experiences and solutions which exceed customers' expectations.
- **Digital innovation:** the digital transformation has accelerated digital solutions and strengthen BBVA's offerings and services on all channels, improving customer experience, and using more agile and timely solutions.

iii. ***WE ARE ONE TEAM:*** employees are the most important asset to any company, and in BBVA could not be otherwise. All workers are owners, sharing responsibility and rowing together to accomplish all goals and endeavors.

- **Commitment:** each employee is committed to his role and the responsibilities they were given. They are empowered with training, state-of-the-art technologies, and fulfilling cases that helps them to overcome the challenges and deliver the best possible results.
- **Trust:** gaining their clients' trust and also generating it among its workforce by collaborating and breaking down siloes between departments and borders.
- **New agile culture:** the word "*agile*" does not only refer to a project implementation methodology or an organizational model that breaks functional silos; but to a new organizational culture and a leadership model based on multidisciplinary teams, empowered to organize themselves and given execution capabilities. In this new culture, C-level executives are no longer managers (who oversee what each employee has to do), but leaders that guide their teams to resolve issues and coach them to grow professionally." (SanBenito, 2018).
- **Be BBVA:** each employee is the owner of the company. They possess a portion of the company in the form of shares, which empowers them to do everything they can to achieve the goals and make the bank's purpose a reality.

Overall, *BBVA's values are the key to amaze its customers, exceed their expectations, overcome boundaries, and guide operations and activities.* Furthermore, they help break the molds and continue to drive BBVA's digital transformation (SanBenito, 2018).

These three values are the foundation upon which BBVA is being built. That is why and since 2017, BBVA has launched an annual event called "*Values Day*." This event takes place in more than 19 countries, where all employees actively engage in programmed activities to embed the company's values and learn how to identify challenges and opportunities and create solutions by living in the company's values (on a daily basis) and by using agile methodologies.

Due to the current Covid-19 pandemic, this year's "*Values Day*" was held online, hosting more than 125,000 employees and proving that despite the ongoing recession, BBVA's corporate values helped the firm overcome the difficulties, reinforce its strategic priorities, and contribute to creating a positive impact (*Exhibit #6*).

### 3. INDUSTRY ANALYSIS

#### 3.1. PESTEL ANALYSIS

Analyzing the organization's general environment is fundamental for its survival since it affects its operations, determines its capacity to adapt to market changes, and drives its evolution. For this purpose, there are different tools, such as PESTEL analysis, which identifies the key factors in the environment - Political, Economic, Social, Technological, Ecological, and Legal - that significantly impact the company (ESERP Business School, 2019).

In this chapter, PESTEL analysis is carried out from the banking and financial industry's perspective to understand better the context in which BBVA operates and how it has designed its strategy by singling out the main opportunities and threats regarding these external factors.

##### 3.1.1. Political Factors

The sharp macroeconomic downturn triggered by the current Covid-19 pandemic has substantially increased global financial stability risks. The forceful economic policy response – from monetary, fiscal, and supervisory authorities like the European Central Bank (ECB) and the Bank of Spain – is helping to mitigate and manage these risks.

In March 2020, the ECB decided to modify some of the fundamental pillars of “*The Third series of Targeted Longer-Term Refinancing Operations*” (hereinafter, TLTRO III) to support the continued access of businesses and households to bank credit in the face of the temporary shortage of funds resulting from the coronavirus crisis (European Central Bank, 2020).

The most relevant amendments in the TLTRO III are 1) reduction of the interest rates by 25 basis points to  $-0.5\%$  from June 2020 to June 2021, and 2) the rise in the borrowing allowance to 50% of eligible loans (European Central Bank, 2020).

In Spain, the current PSOE and Unidas–Podemos government coalition is causing confrontations across the whole territory, such as a long-lasting delay on the state budget, high levels of public debt, and the relentless growth of the unemployment rate (Spain has become one of the European countries with the highest unemployment rates, reaching 16,6% in the third quarter of 2020 (Statista, 2020)).

Therefore, to lessen the burden, during the state of alarm, the Spanish Government has announced a loan debt moratorium, regulated in section IV of Title 1 of *Royal Decree-Law 8/2020 on the 17th of March* on urgent extraordinary measures to overcome the economic and social impact of COVID–19, which made possible to increase the liquidity and allow greater flexibility in the borrowing capacity of the Official Credit Institution (ICO) (Zunzunegui, 2020).

This set of actions and decisions help the banks keep their Non–Performing Loan (NPL)<sup>1</sup> ratio stable and help small and medium businesses (SMEs) pay their loans by continuing with their operations and avoiding bankruptcy. This moratorium also comprises payment of rent and self–employed national insurance contributions (Gonzalez Diaz, 2020).

Spain and the rest of the European countries are currently facing a second pandemic wave, so curfews and lockdowns are again imposed in most of the areas for timings. These lockdowns will again hit the businesses and compel the governments to introduce new laws and regulations that may succeed in the next few months.

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<sup>1</sup> A non-performing loan (NPL) is a loan in which the borrower is in default due to the failure to make scheduled payments during a specified period. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms (Investopedia, 2019).

### 3.1.2. Economic Factors

Pandemic-related developments have continued to influence the global economy significantly throughout the autumn. In many geographical areas, the lifting of most of the containment measures in Q2 led to a rebound in activity in the summer months (*Exhibit #7*), whose intensity was, in many cases, somewhat more significant than forecast (*Exhibit #8*) (*Exhibit #9*) (Bank of Spain, 2020 – *Quarterly Report on the Spanish Economy*).

Conversely, in the final stretch of the year, new outbreaks of the virus have led to the reintroduction of restrictions on people's mobility and economic activities. Consequently, there has been an adverse impact on the Gross Domestic Product (hereinafter, GDP) across the Eurozone regions. Taking Spain as an example, according to the last *macroeconomic forecast* made by the Directorate-General for Economic and Financial Affairs of the EU<sup>2</sup>, and the *World Economic Outlook* elaborated by the International Monetary Fund<sup>3</sup> (hereinafter, IMF) in October 2020 (*Exhibit #10*):

- **The Spanish GDP growth** has fallen to –12,8% due to the current economic downturn. Although in 2021, the GDP is expected to reach 7,2%, the full recovery in GDP to pre-COVID-19 levels would be delayed until mid-2023 (Bank of Spain, 2020 – *Quarterly Report on the Spanish Economy*).
- **For the public budget balance**, Spain had a deficit of 3,1% in 2019. Meanwhile, in 2020 it is estimated to be minus 7,3%. Furthermore, in the upcoming year, the figures will remain constant at an average of –4%.
- **The debt-to-GDP ratio** is currently approximately three times greater than the previous monetary crisis – standing close to 120% of GDP – (Bank of Spain, 2020 – *Quarterly Report on the Spanish Economy*).

For that reason, the New Generation EU (NGUE) funds are essential for economic support, as they represent 5,4% of the regional GDP. On top of that, the ECB loans are bearing the pandemic costs and maintain the monetary stimulus. So the pandemic's adverse effects could be under control.

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<sup>2</sup> (European Commission, 2019 - *Economic forecast for Spain*).

<sup>3</sup> (International Monetary Fund, 2020 - World Economic Outlook Database)

- **Inflation** stood at 0.7% in 2019, – 0.2% in 2020, and it is expected to increase to pre-pandemic levels of 0.9% by 2021 (Santander Bank, 2020 – *Spain: Economic and Political outline*).
- **The export/import coverage ratio:** from January to September 2020, Spain's exports shrank by 12.3% (compared to the same period the previous year) to €188.40 bn, and imports dropped by 17.2% y/y to €199.51 bn.
- **Demand and Prices of consumer goods and services** will experience a gradual recovery, particularly in those sectors hardest hit by the pandemic. Thus, after averaging 0.5% in 2020, the rate of change in the Harmonized Index of Consumer Prices (HICP), excluding food and energy, would gradually climb to 1.1% in 2023 (Bank of Spain, 2020)
- **The Spanish unemployment rate** is one of the highest among the European countries, reaching 16,6% in the third quarter of 2020. Some other difficulties going through the labor market are the temporary redundancy plans (ERTES), which denote the low level of the active population compared to the potential workforce (Statista, 2020).
- Moreover, according to Spanish National Statistics Institute (INE), Spain still faces **strong inequalities**, which means that 21.6% of the population stays under the poverty threshold (8,500€ per year), and the social expenses in the public budget balance only account for barely 17% of GDP, compared to the EU average of around 19% (Eurostat, 2020).

However, not all are bad news. The Spanish government has implemented the National Artificial Intelligence Strategy (ENIA), which will boost the adoption of start-of-the-art technologies across the sectors and industries that will take artificial intelligence (AI) as a vector for economic growth, help to diversify the Spanish economy, foster better employment conditions and improve I + D + I ecosystem. Hence, in order to lead a new national economic strategy, it is essential to be committed to the **digital transformation through the development of high value-added disruptive technologies** (La Moncloa, 2020).

Hence, the government's new investment in AI will result in the great potential for transforming the technological, environmental, and social spheres, increasing the economic growth and its financial capacities, and improving competitiveness.

### 3.1.3. Social Factors

Because of the State of Alarm's declaration, most of the service sector was inactive, affecting consumers and businesses. As a result, the pandemic has forced them to rethink their priorities and face a situation of uncertainty (Gonzalez, 2020):

- On the one hand, during the pandemic, citizens have been locked down in their homes, not being able to go physically to work, freely shop around or even go to the bank office to attend to their financial accounts. So, users have been forced to change their habits and lose the fear of surfing the Internet to satisfy their needs. For example, during the pandemic, BBVA's customers have interacted with the APP five times more to complete transactional operations or used 47% more of their credit/debit cards to make online shopping as alternative physical purchases<sup>4</sup> (Serrano, 2020).

Moreover, due to fear of physical contact and following the World Health Organization (WHO) recommendations, 22% of consumers say they have stopped using cash payments. Instead, they prefer other alternatives, such as contactless cards or other electronic payment methods. According to a study made by Mastercard, during confinement, contactless payments became the preferred method of payment for 66% of Spaniards, and 75% of them will continue to use it when the pandemic ends (Quelart, 2020)

- On the other hand, since the service sector (hotels, restaurants, leisure, and tourism) has been the most hit by the pandemic, many companies have shut down. As a result, the labor market has suffered a strong impact, with 16.6% of the working population unemployed. For that reason, 50% of the households have been forced to implement a "culture of saving" and pull out of their savings to overcome financial difficulties, increasing price-sensitivity of goods and services by 15% (*Exhibit #11*) (Velarde, 2020).

Finally, the SARS- CoV- 2 or the Coronavirus pandemic shows no signs of remission. Spain is inexorably approaching the two million cases diagnosed (*Exhibit #12*) and seems to be walking towards the third wave of coronavirus. Hence, developing an effective vaccine against COVID- 19 could help stop the pandemic's effects and resume the country's economic and labor activity (Clemente et al., 2020).

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<sup>4</sup> The online shopping has experienced an exponential increase. Although products like food and beverages are the ones most purchased (47%), health and sanitizing products are the ones that have experienced the most remarkable demand growth (23% and 30% respectively) in the last few months.

#### 3.1.4. Technological Factors

In the last couple of years, the banking industry has started to adopt state-of-the-art technologies – such as AI, Machine Learning, Deep Learning, Cloud computing, 5G communications, chatbots, and advanced data analytical tools – enabling banks and other financial institutions to reduce their operational costs and increase their operations' efficiencies.

Firstly, **Natural Language Processing (NLP) algorithms and Machine Learning (ML)** improve customer experience through language pattern analysis, allowing conversations to be more fluid and focused on achieving the user's desired financial goals.

For example, according to the article, *Why AI Is Transforming the Banking Industry*, published by Forbes on 5th of April, many large banks such as Bank of America, Capital One, and Banco Santander are using **AI-enabled chatbots** to help offer better customer service, increase efficiencies, and reduce costs (Walch, 2020).

Forbes's article also talks about the importance of **AI's hyper-personalization pattern**, which supports banks to provide each of their customer's personalized services according to their behavior patterns, wants, and needs. On top of that, AI technologies are also being used to prevent and monitor frauds and detect and mitigate cyberattacks (Walch, 2020).

Furthermore, the appearance of **Blockchain technology** allows the transfer of data and capital in a completely secure way thanks to a sophisticated encryption and coding. Its distribution through thousands of computers in charge of the control does not require intermediaries for the database's administration, which makes it impossible to corrupt and a fascinating tool for banks to use. For instance, BBVA and Indra have successfully closed the first corporate loan (with 75 million euros) using blockchain (BBVA, 2018 - *BBVA and Indra deliver the world's first blockchain-supported corporate loan*).

Other technological factors that have accelerated the digital transformation across the banking sector is **the entrance of FinTech, BigTech, and Telco companies** as financial institutions (Tellado, E, 2019). These businesses have experience in the most advanced technologies, access to large data sets and finance sources at a low cost, creating digital financial platforms that use innovative technologies and a digital approach to help their customers manage their money more effectively.

As a result, they are killing two birds with one stone by providing customers with revolutionized technological solutions and threatening the Spanish banks' position in the market (KPMG, 2019 – *BigTech banking, la revolución de los pagos online*).

### 3.1.5. Environmental and Sustainable Factors

Climate change and environmental degradation are an existential threat faced not only for financial institutions but also for all countries. To address the climate crisis problems, the European Union (EU) has launched a new growth strategy to transform the Eurozone into a resource-efficient and competitive economy (European Commission, 2019 – *EU approach to sustainable development*).

The sustainable development proposed in *Agenda 2030*, created by the United Nations (UN), constitutes the new framework to develop (among others) the 17 objectives of Sustainable Development (ODS). This proposal takes a comprehensive approach that brings together economic, social, and environmental considerations in a mutually reinforcing way to achieve sustainable development by 2030 worldwide.

Another proposal to consider is the *European Green Pact* created in September 2020 by the European Commission (EC or Commission). The Green Pact is a roadmap to give the EU a sustainable economy and reduce greenhouse gas emissions by 2030. This will enable the EU to move towards a climate-neutral economy and meet its commitments under the Paris Agreement by (European Commission, 2020 – *Climate and Energy Framework 2030*):

- Investing in environmentally friendly technologies
- Supporting the industry to innovate
- Ensuring that buildings are more energy efficient

**A clear example** of a banking company committed to the environmental sustainability cause, the UN ODS, the Paris Agreement, and Agenda 2030 is **BBVA**, being at the forefront of initiatives for the conservation of the planet (Diaz Jimenez, 2019).

In this sense, the BBVA Group reduced energy consumption by 9% thanks to its sustainable and intelligent facilities, achieving an annual energy saving of 5,766,731 kWh and avoiding the emission of 1,430 tons of CO<sub>2</sub> per year.

Moreover, BBVA develops products, services, investment operations, and sustainable financial solutions committed to the environment and society, such as:

- **Green bonds:** BBVA becomes the first international issuer of green bonds<sup>5</sup>. For this reason, BBVA has been recognized for its global leadership, best practices, and innovation in sustainable financing, receiving the Green Bond Pioneer Awards in 2019.
- ***BBVA Bolsa Desarrollo Sostenible*** (BBVA Sustainable Development Stock Exchange) is an international equity fund that incorporates criteria that value socially responsible investment by selecting the securities in its portfolio (Garcia, 2019).

### 3.1.6. Legal Factors

The rapid growth of technology and digitalization in the financial industry drives new regulations in the Eurozone. Some of the directives to be highlighted are:

#### i. ***General Data Protection Regulation (GDPR)***<sup>6</sup>:

Government agencies worldwide are considering new data privacy laws. Most of them are inspired by the *European Regulation (EU) 2016/679 of the European Parliament and the Council, the 27th of April 2016, on protecting people regarding the processing of personal data and the free movement of such data*.

The General Data Protection Regulations seeks to protect personal data against the interests of third parties. Besides, this law deploys the necessary mechanisms for organizations to process, store, and appropriately destroy user data to protect their rights.

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<sup>5</sup> Green bonds are projects related to natural resources and the environment. BBVA has become the largest issuer in the Eurozone (1,000 million euros) (BBVA, 2019 – *Our goal is for all BBVA products to offer a sustainable option*).

<sup>6</sup> *Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.*

**ii. Payment Services Directive 2 (PSD2)** (European Commission, 2019 – *Payment services PSD2*)<sup>7</sup>:

PSD2 is a European regulation on electronic payment services, which aims to increase the security of payments, boost competition, promote innovation and encourage the adaptation of banking services to new technologies, which is expected to encourage new payment methods and electronic commerce (Magrath, 2020).

In addition, PSD2 has introduced changes that allow credit institutions to implement *Open Banking*. With *Open Banking* technology, banks can share customer data and secure it from third parties' access through an open environment application programming interface (API) (González, 2018). The criteria of PSD2 are<sup>8</sup> :

- Strong customer authentication: Authentication must rely on two or more factors, including passwords or PINs, tokens or mobile devices, or biometric data.
- Transaction risk analysis: PSD2 analyses the risk of transactions to mitigate fraudulent payments.
- Mobile Application Security: Payment service providers must adopt security measures to deter risks. PSD2 also requires dedicated mobile application cloning countermeasures in applications, also known as replication protection.

**iii. Markets in Financial Instruments Directive II (MiFID II)**<sup>9</sup>

MiFID II is the EU Directive that updates the framework for transparency and investor protection in the financial instruments market, which is effective since the 3rd of January 2018.

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<sup>7</sup> Directive (Eu) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market.

<sup>8</sup> The European Banking Authority (EBA) determined the progressive nature for the entry into force of the PSD2, starting in January 2018 and ending on the 31st of December 2020, giving full compliance with the technical requirements – 1) Regulatory Technical Standards (RTS); 2) Customer Authentication Requirements (CSA), and 3) requirements for secure communication–. Its main milestone, the regulation on authentication and third-party access obligations (the 14th of September 2019)(González, 2018).

<sup>9</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15th May 2014 on markets in financial instruments

MiFID II seeks to establish an organizational framework oriented towards individual advice and ensure investor protection through transparent regulation. In other words, entities must make investment proposals prioritizing their clients' needs and objectives and not the contracting of their own products. As follows, the main objectives of MiFID II are (Almenara Juste, 2018):

- Standardization of regulations: guarantee homogeneous treatment for all users involved in financial markets.
- Increase in transparency: increase information transparency requirements for investment service providers.
- Coordination of the competent supervisory bodies: increase their control functions and delimit their responsibilities and competencies.

**iv. The law for the digital transformation of the financial system<sup>10</sup>**

The Spanish legislation 7/2020, the 13th of November, for the digital transformation of the financial system the aim is to accompany the digital transformation of the financial system by focusing it on two main objectives (Expansion, 2020):

1<sup>st</sup>. Ensure that the financial authorities have adequate instruments to perform their functions optimally in the new digital context.

2<sup>nd</sup>. Facilitate the innovative process to achieve a more equitable development through better access to financing for the different productive sectors and the attraction of talent in a highly competitive international technological environment.

Moreover, this law aims to regulate sandboxes, a controlled testing space to facilitate the identification of technological innovation projects in the financial system, developing them within a legislative framework and supervising them through mechanisms that facilitate the efficiency or improvement of operations (Expansion, 2020).

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<sup>10</sup> Ley 7/2020, de 13 de noviembre, para la transformación digital del sistema financiero.

## 3.2. PORTER'S FIVE FORCES FRAMEWORK

Porter's Five Forces Framework refers to the **analysis of the industry's structure**, which highlights the opportunities and threats it poses for a firm and determines its capacity for returning profits. From this perspective, the greater the opportunities and the fewer the threats, the more attractive the industry will be. That is, the higher the expectations on returns (Navas, Ángel and Macnair, 2018).

In this section, the analysis of Porter's Framework (from the Spanish banking market perspective) would be a handy tool for BBVA to identify game-changing trends early on, respond quickly to emerging opportunities that offer high profitability levels, overcome threats, and ultimately, **shape BBVA's strategy to gain a competitive advantage and lead the digital transformation across the sector** (Fern Fort University, n.d.).

### 3.2.1. Power of Suppliers

In the banking industry, suppliers are mainly considered depositors, central banks, loans, and mortgage-backed securities. Therefore, suppliers' power is very high in this industry since the bank's performance depends on them. For instance, if the number of depositors decreases, banks will lose their profitability and liquidity. If money inflow from the loans and securities decreases, it will also affect its performance and profitability (Adamkasi, 2019).

### 3.2.2. Powers of Buyers

The buyer's bargaining power in the financial and banking industry is also high due to the standardized supply of financial products and services from different banks. In other words, the cost of contracting these services does not vary much from one financial institution to another. This increases the buyer's bargaining power (Fejza et al., 2017).

For example, if the customer is not satisfied with BBVA's service, the costs of changing banks are usually low (unless there are contractual obligations). Customers could then look into Banco Santander, Banco Sabadell, digital banks, Fintech, and BigTech companies until they find the product that best fits their needs. Having this in mind, clients will negotiate more rigorously and try to achieve the best conditions for the services they want to hire.

For that reason, BBVA has designed transparent, convenient, and suitable products and services easy to be managed. *Transparency, Convenience, and Simplicity* mean it is extremely simple and fast to become a BBVA customer, whenever and wherever, using just a *smartphone* and taking a *selfie*.

Furthermore, BBVA helps customers manage their finances, set goals, create budgets, and program alerts that increase their ability to save, all done from the phone (BBVA, 2017 – *David Puente: “BBVA’s main competitive advantage is its relationship with customers”*).

### **3.2.3. Barriers to Entry**

There are no such physical barriers to entry in the Spanish Financial market. However, some bounds limit the entrance of new competitors into this industry:

- Highs Costs
- High Competition
- Compliance with regulation
- Product differentiation
- Low profitability
- Hurdles in getting a Banking license

The Spanish banking industry is supervised and regulated by both the Bank of Spain and the ECB, which regularizes new licenses for entities with the will to operate in this market. Following this idea, getting a license is not that easy to get since it requires specific requirements to be met (*Exhibit #13*) (Menéndez, 2020).

Other than that, big financial institutions own tremendous resources and have gotten a strong position, obtaining long-term customer loyalty, historical data sets, a well-known reputation, and savvy experience on how the industry works. That is why newer banks will have a hard time competing against banking titans. And especially now that a global crisis is shaking up the financial market, lowering their chances of survival.

### **3.2.4. Rivalry among the Existing Competitors – Traditional Banks and Fintechs**

The adoption of new technologies and investments in innovation create a new competitive environment that significantly attracts new competitors in the market. As the intensity of the competition increases, the possibility of higher return is reduced, and therefore, the industry’s attractiveness diminishes (Navas, Ángel, and Macnair, 2018).

Continuing with this idea, the current Spanish financial sector is an environment of maximum demand due to 1) low-interest rates that continue to narrow margins and profitability; 2) the increase in rivalry among traditional banking institutions for customer acquisition, and 3) the presence of new players (Fintechs, BigTechs, and Telcos), which are shaking up the of financial service world.

#### **i. Traditional banking institutions**

Traditional financial institutions maintain an active strategy of investment, acquisition, collaboration, and incubation of new technologies by developing new internal capabilities or collaborating with other entities (like Fintech).

- **CaixaBank's** digital transformation is based on offering an outstanding customer experience by putting technology at the service of clients and employees, offering innovative solutions in response to digital advances, consolidating multichannel presence, and strengthening the responsible banking model (CaixaBank Communications, 2019).
- **Banco Santander** seeks to drive growth and increase profitability by accelerating its digitization, improving operational performance and capital allocation, and expanding *Openbanking* to increase the number of clients and revenues (Banco Santander Corporate Communications, 2019).

#### **ii. Fintech companies**

The increase in customer-oriented products, the usage of cutting-edge technologies, and the unbundling of the industry's value chain are attracting many Fintech companies, resulting in the market's transformation process (*Exhibit #14*).

Fintechs are not technically traditional banks, but digital financial platforms that drive an increasingly robust financial ecosystem by offering 100% digital services with low commissions, providing high-quality services, and greater customer satisfaction. (Tellado, 2019).

Some well-known Fintech firms that are members of the Spanish Fintech and Insurtech Association (AEFI) could be 2Gether Global, Aplazame, Finletic, EuroBits, Fintonic, Kapital100, and BitNovo (*Exhibit #15*) (Asociación Española de FinTech e InsurTech, n.d.).

As an example:

- **N26** is a German Fintech born in 2013 – with more than 1.000.000 customers in Spain–, which aims to transform how money is managed and offer a service adapted to its clients' needs. N26 has reinvented the banking sector, creating a 100% digital banking experience designed to be simple, accessible, and transparent, using state-of-the-art technologies and operating without a network of branches. (N26.com, n.d.).

Moreover, most Fintechs are offering products and services that complement and support traditional banks' services. In this way, it should be noted that the financial industry is increasingly open to collaboration, with alliances between traditional banking institutions and Fintechs to develop and accelerate their digital transformation (*Exhibit #16*) (KPMG, 2019 – *Comparativa de la oferta de la Banca vs. Fintech*)

For that reason, banks are redefining their strategies and business models (replicating Fintech's best practices or collaborating with them) to satisfy clients who are increasingly interested in alternative models offered in the digital world.

However, it is estimated that future competitors and substitutes for banks will not be Fintechs, but large technology companies (BigTechs) as they may offer microloans, financing services, and payment facilities.

### **3.2.5. Availability of Substitutes – BigTech Companies**

The best known BigTech companies are the American companies grouped under the acronym GAFA (Google, Amazon, Facebook, and Apple) and the Asian companies grouped under the acronym BAT (Baidu, Alibaba, and Tencent) (*Exhibit #17*).

The main reasons why they represent a threat are because they have great capacity, the trust of millions of users, and large funds for their investments. For those reasons, these BigTech – GAFA and BAT – are positioning themselves as strong competitors in the financial sector and have already begun to show their presence in the market.

For example, Google, Amazon, Apple, Intuit, and Paypal have created “*Financial Innovation Now*,” a coalition that aims to promote policies that encourage technological innovation in the financial services space (KPMG, 2020 – *La Banca ante las BigTechs*).

- **Microsoft** has established strategic partnership relations with the leading banking institutions globally, aiming to accelerate their digital transformation and competitive capacity. Microsoft 1) generates risk analysis and modeling solutions based on Big Data and IA; 2) provides personalized financial advice interpreting the specific preferences of each client, and 3) improves customer service using technological applications such as chatbots.
- **Amazon Web Services (AWS)** has long worked with the largest financial institutions and Fintech start-ups – including Capital One, FINRA, Bankinter, BBVA, Intuit, Nasdaq, Société Générale, and many more<sup>11</sup> – to lighten workloads, streamline business operations by creating a more secure data cloud, and address the challenges and opportunities in the current marketplace.

### 3.2.6. Threats of New Entrants – Telco Firms

The introduction of 5G on a large scale and the access to large historical databases will exponentially accelerate the diversification of telecommunications companies into other industries (Pirates, n.d.). Therefore, as we know it today, the Telcos' profit formula will change dramatically and diversify (Valentin, 2020).

For instance, the adoption of Mobile Financial Services (MFS) in Europe has proliferated, and telecommunications companies have begun to expand services to compete in the financial market. Thus, they seek to offer solutions, such as *m-wallet*, *m-banking*, and *m-commerce* services (Ltd, 2018). For example:

- **The telecommunications company Orange and mBank** (the 4th largest bank in Poland in terms of total assets) signed an agreement to create a mobile retail bank for smartphone and tablet users. Thus, these financial services began to be provided not under the bank's wing, but under the Orange brand.
- Similarly, **Orange France has partnered with Groupama Banque** to offer bank accounts, credit and debit cards, mobile payment options, and bank insurance (*Exhibit #18*) (Bembaron, 2017).

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<sup>11</sup> BBVA has partnered with Amazon Web Services (AWS) and Bloomberg to build a digital platform known as BBVA C-Fit<sup>11</sup> (Redaccion, 2020 - *BBVA is developing 'BBVA C-Fit'*). BBVA C-Fit platform uses Amazon Elastic Kubernetes Service, Amazon Managed Streaming for Apache, and Bloomberg's B-PIPE, allowing access and management of the market data directly and in real-time. This application is very suitable for the trading companies that need to design trading strategies based on the insights they gain from analyzing large volumes of data (Flinders, 2020).

So, Telco firms have developed their new digital platforms, threatening traditional banks' market share and challenging BigTechs (*Exhibit #19*) (Valentin, 2020). These technological firms are looking forward to providing financial services, bringing innovation, and all of the tools necessary to offer new financial services based on consumer data (Fern Fort University, n.d.).

#### 4. COMPETITIVE STRATEGY: DIGITAL LEADERSHIP

As seen in the previous chapters, the financial industry is rushing towards a new ecosystem. In this new environment, Banks realized they already possess a fundamental competitive advantage: *the large volumes of data (Big Data) about their clients*, which fuels the digital transformation across their companies.

The exploitation of data allows banks to improve the quality of the products and services they offer, attracting new clients, and increasing the participation of existing ones. These grants access to more sets of information and keep fine-tuning their products and services, such as credit risk analysis, identification of transactions suspected of fraud, greater customization of commercial offers, automated financial advice, and so forth (Fernandez and Urbiola, 2019).

The challenge that BBVA faces now is to transform that information into *knowledge*; and this *knowledge* into *wisdom* to offer a better customer experience, support them throughout their decision-making process, or even anticipate their needs (*Exhibit #20 – DIKW Pyramid*).

Overall, BBVA looks forward to mastering this *wisdom* to strengthen its competitive advantage and lead the digital transformation across the Spanish financial sector (Fernández and Urbiola, 2019). For all those reasons, BBVA's transformation from a conventional "*analogical*" bank to a new "*digital*" company is considered to be a **differentiation strategy**.

As explained in *Chapter 2, subsections 2 and 3*, BBVA's Mission statement is "**BBVA, creating opportunities,**" which means ***bringing the age of opportunities to everyone*** by educating financially, guiding, and providing its customers with the tools to meet their objectives, as well as, helping its employees to boost their professional career paths.

BBVA articulates its differentiation strategy around three values (*Customer comes first, Think big, and We are one team*) and executes it through six priorities, which can be grouped into two core categories: **the business transformation** (*New Business Model, New Standards of Customer Experience, and Digital Sales*) and **the organizational culture transformation** (*A first-class workforce, unrivaled efficiency, and optimize resource allocation*) (*Exhibit #21*) (Molina Fernandez and Hernandez Serra, 2020).

#### **4.1. Business transformation: building technological capabilities and using data to transform the customer experience and redesign products and services**

Business transformation is driven by an advanced built-up platform aligned with the latest technological advances in the market. Thus, after seven years of hard work, BBVA has come up with a state-of-the-art technological platform capable of capturing, storing, managing, and integrating all the *wisdom* generated to improve its customer experience and the products offered.

A sign of these events is the increasing number of the entity's active clients from 47.5 million to more than 56.3 million - in the last four years - of which 35.6 million are digital clients (September 2020) (BBVA, 2020 – *BBVA doubles its digital banking customers*).

Simultaneously, the platform reduces transaction costs (like negotiating contracts or monitoring costs), soothes the growing security concerns by complying with all the regulatory requirements (like PSD2 and GDPR), builds firewalls to shield the systems against vulnerabilities and cyberattacks, and reduces information asymmetries (Fernández and Urbiola, 2019).

Overall, Big Data and AI technologies are essential for BBVA to claim a differential competitive advantage. However, these are tools that serve human beings (BBVA's employees and clients). Thus, this requires a revolution in the way operations and processes are being carried out by BBVA's employees and a complete change in the skills and talents required. In short, **a revolution that calls for a cultural change.**

#### **4.2. Organizational culture transformation: developing a data-driven skill & talent organization**

The transformation of the organizational culture is driven by a newly created area called Digital Banking. This department represents a profound organizational change to accelerate the digital transformation by evolving the distribution channels, adapting internal processes, and designing a new offer of digital products and services to create the best customer experience in the financial market.

The Digital Banking area's ultimate goal is to boost and scale the digital transformation throughout the company (extending it to every department that configures the Group) and achieve a **single global brand** by (Torres Vila, 2020):

- *Giving* customers access to as many *Do-It-Yourself (DIY)*<sup>12</sup> services or self-services as possible through the BBVA platform across all the existing digital channels (Lopez, 2019).
- *Moving* to a digital advisory model where the use of technologies perfects agents' advice.
- *Creating* unique experiences that help customers achieve their objectives.
- *Defining* intelligent and personalized interactions with customers.

These four pillars can be expanded to a new set of behaviors that will contribute to implementing and scaling the strategy across all the Group's departments and all geographical locations as well (*Exhibit #22*) (BBVA, 2020 – *BBVA presents six new strategic priorities*):

1. **Improving customers' financial health** by helping them make better decisions and managing their finances to achieve their life and business goals through personalized advice.
2. **Helping clients transition toward a sustainable future**, inspired by the Sustainable Development Goals (ODS) and the Paris Agreement.
3. **Reaching more clients**: boost the profitable growth by being where clients are, leveraging their own digital channels, as well as the third parties' ones.
4. **Driving operational excellence**: create a strong relationship with the client by providing the best experience throughout intuitive processes (thanks to the use of new technologies and data analysis), focus on risk management, and make an optimal capital allocation.
5. **Assemble the best teams**: assemble multidisciplinary and empowered teams guided by BBVA's principles and values, driven by an agile methodology model that creates growth and career opportunities.
6. **Advanced data analysis** and secure-reliable technologies create high quality differentiating solutions and meet the objectives set out in the corporate strategy.

Carlos Torres Vila, BBVA's Executive Chairman, highlights BBVA's **differentiation strategy**, which pursues to (BBVA, 2020 – *BBVA presents the Group's six new strategic priorities*):

*“amplify the impact of BBVA's digital transformation on our customers and society, with a key role for the team, technology, and data to make our purpose a reality and reach more customers.”*

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<sup>12</sup> BBVA's *Do-It-Yourself (DIY)* services are a new trend that appeal for users to carry out most of their financial transactions from their *smartphones* in a self-service format, which has allowed to go through simpler processes, saving money and time. DIY services seek to empower customers by facilitating their financial processes wherever and whenever from the “palm of their hand”(Lopez, 2019 - *DIY o Hazlo tú mismo, el concepto que sigue revolucionando la banca*).

## 5. IMPLEMENTATION OF THE STRATEGY

BBVA's customer-centric digital strategy is offering an excellent opportunity to use Big Data and advanced technologies, such as the Cloud, blockchain, and AI, to positively impact the market and lead the industry's digital transformation (BBVA, 2018 – *Carlos Torres Vila: "We want to turn data into opportunities for our customers"*).

In order to implement this digital strategy, BBVA is using technology to drive revenue through customer experience, digital sales, and personalized advisory functions (*above the glass* – *what the customer sees*). As well as generating efficiencies and saving costs through changes in the distribution model, improvements in operations, implementation of a new technological platform, and deployment of agile methodologies (*below the glass* – *what the customer does not see*) (BBVA, 2017 – *BBVA is executing its transformation focusing on the customer and technology*).

### 5.1. ABOVE THE GLASS: REVENUE STREAMS

#### 5.1.1. Customer Experience

BBVA has focused on offering the best experience by differentiating value proposals and personalized advice, as well as empowering the customer through DIY services and giving access to innovative functionalities in the mobile app (BBVA, 2019 – *Annual Report: Non-financial Information Report*).

All these services have three common characteristics: *Transparency, Clearness, and Responsibility* (TCR). The TCR is systematically integrated into the design, implementation, and maintenance of the new digital solutions, deliverables, and experiences for clients (such as mobile applications, digital contracting processes, consumer financing solutions, and so forth), constituting criteria for uniformity and quality standards.

Additionally, the new corporate mission and logo reinforce the goal of offering a unique value proposition, helping clients manage their finances and improve their financial health. Financial health<sup>13</sup> is a dynamic relationship between health and personal finances, attained when individuals make decisions and adopt routines and habits that allow them to be in a better financial situation to overcome obstacles and achieve their objectives.

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<sup>13</sup> Financial health is mentioned in Chapter #4, section #2 - Improving customers' financial health – which is one of the fundamental behaviors for implementing the digital strategy across the Group

Therefore, the bank's overall purpose is to become a digital financial advisor with a value proposition that helps **individuals, SMEs, and large companies** in their real needs, lives, and operations to make better financial decisions, providing digital solutions, information, and personalized advice through the digital platform (Semple, 2019).

#### **5.1.1.A. Solutions for SMEs.**

- *Net Cash* simplifies the management and administration operations, offering faster and more efficient methods using just a smartphone. For example, check the status of accounts and products contracted, obtain complete information on the financial position, consult the movements, order national and international transfers and obtain proof, return receipts with a signature at the same time, and much more (*Exhibit #23*) (BBVA, 2021 – *BBVA España*) (BBVA, 2021 – *BBVA España - Net Cash App*).
- *Digital Client Acquisition* (DCA) is a 100% digital business registration process, which simplifies the process of opening an account in just 10 minutes, using the Spanish legal digital certificate (BBVA, 2020 - *BBVA drives forward its strategy with SMEs*).
- *Commerce360*, a tool that allows SMEs to consult different statistical indicators and access to market research of their commercial activities, as well as the rest of the businesses in the area in which they operate. (Varela, 2017). Commerce360 represents a key factor in helping its clients develop a better strategy, guide their actions to improve the products' offering and sales, and reinforce customer satisfaction (BBVA, 2018 - *BBVA helps businesses sell more with big data*).

#### **5.1.1.B. Solutions for Corporations.**

- *Global Net Cash* allows corporations to discover a unique digital experience through a comprehensive and detailed view of all their accounts, anytime - anywhere. It also helps manage payments with maximum traceability, gives access to the integral summary of loans and financing, and consolidates all operations under a single currency (BBVA Global Net Cash, n.d).

### 5.1.1.C Solutions for individuals (people and self-employed workers)

For individuals, the bank highlights the *BBVA APP* or *DIY GLOMO*, a global mobile banking platform that integrates not only traditional financial services but a set of innovative and disruptive applications for the customer (Ackerman, 2020).

GLOMO seeks to empower users to manage **ALL** their finances using just a smartphone in a transparent, simple, immediate, and intuitive way. In this way, customers can make a transfer, a bank transaction, check their payroll, control their finances, apply for credit, create a *piggy bank wallet* for personal goals, turn off the cards for security, withdraw money from ATMs, forecast their balance accounts at the end of the month, and so much more (*Exhibit #24*).

GLOMO is a 100% online platform that integrates a full digital registration solution through biometrics, where the user is identified based on one of his unique physical attributes – face, voice, or fingerprints –, being the first bank in the market to use this technology (BBVA, 2020 – *Glomo y el Sistema de biometría avanzada*). Among all the functionalities, some outstanding solutions could be:

- *BConomy* is a new functionality integrated into the BBVA App, with which the client will be able to control its expenses by comparing its behavior with other similar profiles, create a financial cushion to live more peacefully, or set a savings goal (BBVA (2021 – *BBVA ESPAÑA: Bconomy*))
- *Projected transactions*: users can see (at a glance) their projected banking movements (income and expenses forecast) in the next months, so they can track, manage, and control them better (BBVA, 2021 – *BBVA España: Projected Transactions*).
- *Set up your account*, which helps clients set their own rules for automatically managing their accounts to save and have more control over their money (*Exhibit #25*) (BBVA, 2021 – *BBVA Spain: Set your account*).
- *My Travel* is a digital solution that enables controlling the client's travel expenses through a personalized panel. Furthermore, with the *Travel Card*, the customer can make purchases choosing the flexible payment method that best suits their needs – full payment or payment in installments (*BBVA Revolving*) – (BBVA, 2021 – *BBVA España: Viajes*).

- *BBVA Valora* is an online tool (with access from the web or the BBVA App) that helps clients find out the estimated price of purchase or rental of a specific house. However, if the user is already a property owner, he can also have access to other related services like the *BBVA Allianz Home Insurance* or *BBVA Flexible Mortgages*.

*Valora* takes into account the client's financial position and preferences and displays different scenario simulations to see the impact of the decision, the costs associated with the purchase, and the mortgage loan payment plan (*Exhibit #26*) (Molina Fernandez, 2019).

On the other hand, it also facilitates grouping together all the house expenses (water, electricity, gas, maintenance...) and helping plan ahead of the reforms and the renovation of household appliances (BBVA, 2021 – *BBVA Valora SPAIN*).

For all these functionalities and services, the BBVA App has been awarded for the fourth consecutive year as **THE WORLD'S BEST BANKING APP** (Valencia, 2020) – *Further explanation in Chapter #5, Section.2.2.B* –

## **5.1.2. Customer Experience Indicators**

### **5.1.2.A. Net Promoter Score (NPS)**

BBVA's digital transformation has made it possible to create innovative solutions for clients – combining human experience and technological tools with a powerful capacity for Big Data analysis – to help them make better financial decisions and achieve their objectives (Semple, 2019).

All this contributes positively to increasing digital sales and improving the main indicators of customer satisfaction and commitment levels, such as the Net Promoter Score (NPS), which measures customers' willingness to recommend the bank and the level of satisfaction with its products, services, and channels. BBVA holds the highest-ranking position for NPS, becoming the most recommended entity by its customers in Spain, Mexico, Argentina, Colombia, and Peru.

This index is based on a survey that measures on a scale of zero to ten whether the bank's clients are: *detractors* (0 to 6), *passive* (7 to 8), or *promoters* (9 to 10). This information is vital to verify the alignment between the customer needs and expectations with the initiatives implemented, establishing plans that eliminate the gaps detected, and provide the best customer experience (Semple, 2019).

A detailed analysis of the BBVA Annual Report figures shows the relevance of its mobile and digital channels in meeting its customers' needs. For example, in the last four years, the dropout rate has fallen by 18% (*Exhibit #27*), and the number of active customers has risen from 47.5 million to more than 56.3 million – of which 35.6 million are digital customers – (by September 2020) (*Exhibit #28*) (BBVA, 2020 – *BBVA doubles its digital banking customers and triples its mobile banking customers*).

#### **5.1.2.B. Net TCR Score (NTCRS)<sup>15</sup>**

BBVA uses the Net TCR Score (NTCRS) indicator to measure the degree to which customers perceive BBVA as a transparent, clear, and responsible bank, compared to its competitors in the principal geographical locations where the Group is present. As of December 2019, BBVA ranked first in the NTCRS indicator in five countries: Spain, Argentina, Peru, Uruguay, and Paraguay. And second in Mexico, Turkey, and Colombia (BBVA, 2019 – *Annual Report: Non-financial Information Report*).

#### **5.1.2.C. Net Financial Health Score (NFHS)<sup>14</sup>**

In 2019, BBVA incorporated a financial health indicator, the Net Financial Health Score (NFHS), to measure the degree to which customers perceive that BBVA supports them in attending to their personal finances, compared to its competitors. As of December 2019, BBVA ranked first in the NFHS indicator in four countries: Spain, Mexico, Colombia, and Peru. And second in Turkey and Argentina (BBVA, 2019 – *Annual Report: Non-financial Information Report*).

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<sup>14</sup> The Net TCR Score (NTCRS) and The Net Financial Health Score are calculated following the same methodology of the NPS

## 5.2. BELOW THE GLASS: INCREASE EFFICIENCIES

### 5.2.1. Employees (Agile Methodologies & STEM Disciplines)

The digital transformation strategy implements an ambitious project to transform the organizational culture, which is articulated in two parts: the transformation in projects' management and the transformation in teams' management.

#### 5.2.1.A Transformation in projects' management: Agile Methodologies.

BBVA seeks to transform the entire operating processes via intelligent automation, combining traditional methods with digital technologies' advantages, unleashing a whole new value proposition through implementing *Agile Methodologies*.

*Agile* consists of the configuration of temporary multidisciplinary teams assembled explicitly according to each project's needs<sup>15</sup>, entitled to use online tools and the digital platform for collaborative work. Likewise, Agile emphasizes the need to lose the fear of failure, being a key source of learning and creativity (Sso Network, 2020).

To achieve maximum flexibility, the teams have full autonomy and responsibility of the decision-making process, working in a trial-and-error regime, where successive iterations allow to test, reject or improve the initial approaches, enabling them to move forward ensuring high-quality value proposals, and strengthening the relationship with its customers and stakeholders (SanJuanBenito, 2018).

Furthermore, this new methodology reduces BBVA's production cycle times, from the moment the ideas are conceived until the deliverable is dispatched to the end-client. The average time-to-market was two years, while now, projects are developed and launched in less than nine months (BBVA, 2018 – *BBVA accelerates its digital factory thanks to agile*).

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<sup>15</sup> Each project requires to focus on a specific set of needs and resources, prioritizing and investing in the combination that will yield the best results and achieve the maximum efficiency (SanJuanBenito, 2018).

### 5.2.1.B The transformation in teams' management: STEM Disciplines

The transformation in the project's management necessarily implies a new model of management of human teams. In this sense, BBVA seeks to assemble the best teams, which must have the necessary knowledge and possess the cultural values and principles aligned with the BBVA ones.

As explained previously, the Agile methodology allows the teams to be directly responsible for their decisions, creating a professional development model in which the employees are the protagonists of the projects' processes. So, each employee can play the role that best suits their profile, bringing the most outstanding value to the organization with a focus on boosting their professional career growth and upskilling.

The creation of multidisciplinary teams does not only refer to gender diversity<sup>16</sup>, but also the reinforcement of new knowledge and skills (Science, Technology, Engineering, and Mathematics – STEM). STEM disciplines were not usual in the financial sector, but now are vital for improving efficiencies and getting a broad vision of the different solution approaches (data scientists, data engineers, statisticians, mathematicians...).

An example of this is the creation of a set of new roles like 1) the Global Head of Data, Ricardo Martín Manjón, who is responsible for proposing and executing the set up of data analytics strategy and business intelligence initiatives. Or, 2) the Chief Data Officer (CDO), Jose Carlos Cubero, who is in charge of the data initiatives and the alignment of those with the corporate strategy, reporting directly to the President (Onur Genc) (Torres Vila, 2020).

BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent, offering the best customer service, and ensuring a diverse and inclusive working environment.

Finally, while BBVA helps strengthen its employees' capabilities and grow internal talent by creating an e-learning platform and new learning methodologies (learning on-the-

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<sup>16</sup> In terms of gender diversity, women represent 53.7% of the Group's workforce and hold 22.9% of management positions, 30.6% of technology and engineering positions, and 56.6% of business and profit generation positions. In Spain, BBVA renewed in 2019 the Seal of Distinction "Equality in the Workplace", awarded by the Ministry of the Presidency, Parliamentary Relations and Equality to companies that are benchmarks of good practice in this area.

job, *BBVA Opportunity Tool*<sup>17</sup>, and MOOC<sup>18</sup>), the bank also keeps an eye on external talent sources (BBVA, 2020 - *MOOCs provide at-home education during lockdown*).

For that reason, it creates bonds with the leading business schools (London Business School, Wharton, Harvard, IE), and it collaborates with other firms<sup>19</sup> to build alliances involving promising teams and initiatives that can open the door to the acquisition of new talent, technologies, or business models with disruptive potential in the financial industry (González, 2019).

### 5.2.2. Innovation and Technologies

BBVA aims to be the world's leading bank to provide personalized advisory solutions and reliable financial services to all its customers, guaranteeing the highest quality standards. And so, advanced technologies play a fundamental role in achieving this objective.

#### 5.2.2.A. BBVA's Open Platform and BBVA API Market

*BBVA Open Platform* is part of BBVA's digital transformation, displaying a wide range of 'Banking as a Service' (BaaS) flexible solutions<sup>20</sup> throughout a global interconnected digital ecosystem (BBVA, 2019 – *BBVA launches first BaaS platform*).

Moreover, the BBVA Open Platform team also offers a *sandbox*<sup>21</sup> testing environment, where companies interested in developing solutions linked to open banking APIs<sup>22</sup> can work on their proposal before the final launch (BBVA Open Platform, n.d) (IBM Knowledge Center, n.d.).

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<sup>17</sup> *BBVA Opportunity* is a data-driven tool that helps employees design their career path and select the most appropriate learning methods to do so. *Opportunity* is based on advanced big data analytics with mathematical algorithms that learn from each employee iteration, advising them on upskilling specific competencies and creating alerts on tailored job opportunities (BBVA, 2020 - *BBVA gives its employees the tools to boost their professional career*).

<sup>18</sup> MOOC stands for Massive Online Open Courses (BBVA, 2020 - *MOOCs provide at-home education during lockdown*).

<sup>19</sup> BBVA Ventures is a San Francisco-based venture capital firm that invests in emerging companies developing innovative financial services.

<sup>20</sup> Some of the products and services to highlight are *Move Money*, *Identity Verification*, *Account Origination*, and *Card Issuance*

<sup>21</sup> *Sandbox* definition in page #16

<sup>22</sup> An Application Program Interface (API) is a set of functions that provide some technical capabilities, allowing two applications to communicate with one another to access data by using a defined protocol (Poetker, 2019) (IBM Knowledge Center, n.d.)

Following this last idea, BBVA was one of the first companies to understand the relevance of the APIS's role in digital services. For this reason, it is a pioneer in creating the *API Marketplace*, a platform in which it offers 18 financial APIs to help its customers: improve their online offerings, enhance or discover new business lines, manage their operations autonomously, and maximize their technological productivity and efficiencies (BBVA API Market, n.d.).

As a result, BBVA has boosted its revenue exponentially and strengthening its relationships with its clients by providing disruptive and innovative services thanks to Open Platform and API Marketplace (*Exhibit #29*) (BBVA, 2020 – *BBVA Results 3Q20*) (Alameda, 2019).

#### **5.2.2.B BBVA's Global Award Winner App (*DYI GLOMO*)**

The Group aims to accelerate the development of value-added digital products and services for all customer segments, to provide state-of-the-art financial management tools, and to deliver personalized actions to improve users' financial health (Ensor, 2019).

To do so, BBVA has come up with the new *BBVA App*, which constitutes a unique global digital platform that simplifies the information and integrates all the best solutions for its customers, such as *BBVA Valora*, *Set up your account*, *Bconomy*, *My Travel*, *Future Planner*, *ID renewal notice*, and so much more (BBVA, 2021 – *BBVA APP ESPAÑA*).

For BBVA, digitalization is a mechanism for bringing closer technological opportunities to everyone. Consequently, every quarter the bank improves the features and functionalities of its app and creates new services to help users improve their decisions (Sinnot, 2020).

In this way, BBVA continues to provide innovations and extra features that are interesting to its customers to stay loyal to the company, capture more market share and increase its strategic advantage over its competitors (BBVA streamlines bank account switching for its customers, 2020).

For all those reasons, the British consulting firm Forrester Research has granted BBVA the prize of best mobile banking app in the world for four years in a row – 2017, 2018, 2019, and 2020 –, followed in second place by the Garanti BBVA's application in Turkey (González, 2019 – *El Diario Newspaper*) (Valencia, 2020).

## 6. BBVA'S STRATEGY ACCELERATED OR DECELERATED BY COVID?

The pandemic caused by the Covid-19 has been a turning point for many companies since it is a situation that could not be prevented or accurately forecast the future consequences. In this environment of uncertainty, BBVA's number one priority is protecting the health of its customers, employees, and collaborators.

For that reason, the first actions taken were: 1) the closure of offices to the public; 2) the establishment of the teleworking regime for more than 80,000 employees, and 3) the reorientation of clients towards the use of remote and digital channels (such as GLOMO).

Moreover, during the pandemic, BBVA has helped its clients by launching initiatives to ease the financial burden of those most affected by the crisis and provide financing for economic recovery. Some examples are: a moratorium on loans and non-mortgage credits, support for scientific research teams, and employment aids (BBVA, 2021- BBVA Spain - Coronavirus)

Thanks to these measures and the availability of high-tech tools already developed, the Covid Crisis has not decelerated, but on the contrary, accelerated the digitalization transformation (BBVA, 2020 - *Carlos Torres Vila shares his vision about BBVA and its strategy in 2021*)

Between January and September 2020, the bank added four million mobile customers (+14%) to reach 32.8 million (57% of the total). Meanwhile, digital customers grew by 12% compared to December, reaching 35.6 million (62% of the total). Moreover, the BBVA App interactions have increased five times more than a year earlier (*Exhibit #30*) (BBVA, 2020 – Results 3Q20).

As a result, the positioning of BBVA in mobile banking is differential, being the BBVA mobile application the most used in Spain, with 22.2% of the users of banking applications, according to *Smartme Analytics* (BBVA, 2020 - *BBVA earns €1.14 billion in 3Q20*).

Furthermore, these figures are also translated into an increase in customer reliability in BBVA. Like this, BBVA enjoys a position of financial strength and institutional stability unmatched, facing future difficulties, and continuing to generate value

## 7. CONCLUSION

The low-interest rates, the entry of new competitors, the continuous changes in consumer behavior, and the emergence of new digital technologies have been decisive in transforming the financial services market, which has generated a new competitive environment.

And BBVA has long perceived the risks and opportunities of these profound changes. For that reason, it has been working on its *metamorphosis* from an analog bank into a digital data-driven company with a clear mission statement ***“to bring the age of opportunities to everyone.”***

Through its digital differentiation strategy, BBVA seeks to drive change and innovation, not as ends in themselves, but as means to offer completely disruptive value proposals (a better customer experience and greater efficiencies), which will help to position itself as a leading bank in the Spanish sector.

In this way, the creation of a new area (Digital Banking), an integral transformation in the organizational culture, and the development of the number one mobile banking app in the world that simplifies information and gives access to all solutions (from the palm of the hand) are the main turning points that have accelerated the digital transformation process across the Group.

As a result, BBVA has acquired experience and *wisdom* that puts it in a clear position of advantage over its competitors in the market. However, there is still a long way to go, not only because the transformation process is still underway, but because the technological change continues at an accelerated pace and, and with it, non-stop changes in social and consumer habits too.

Therefore, this is a race without a set finish line. That is why the key to not losing face, not falling into complacency or obsolescence, is to guide people (customers and employees) in each step of the transformation, providing them with nearby and personalized advice, innovative solutions, and technological tools to continue promoting the digital transformation.

To conclude, I believe that BBVA's thirst for reinventing itself, willingness to offering new solutions that keep surprising its customers, and eagerness to making strategic alliances with strong partners (Amazon, Google, Fintechs...) will help the Group to continue exercising its leadership and become one of the best global banks of the 21st century.



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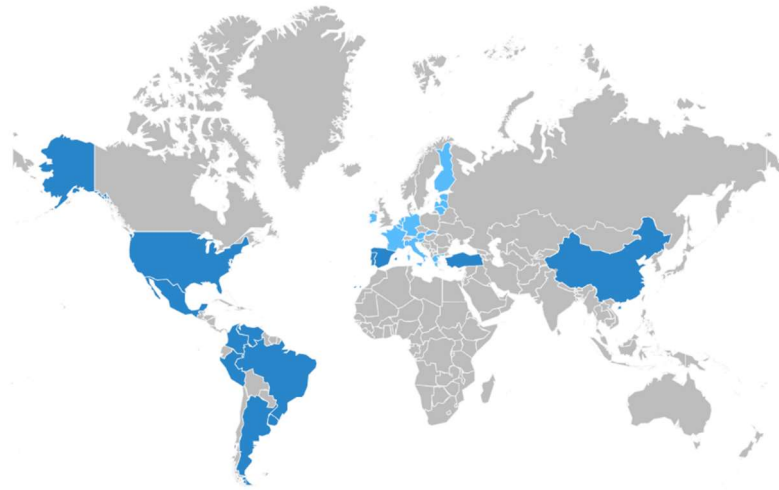
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## 9. EXHIBITS

- **Exhibit #1: BBVA in the World (page 2)**



Source: (BBVA Research, 2019)

<https://www.bbvarresearch.com/en/about-us/>



Data at the end September 2020. Those countries in which BBVA has no legal entity or the volume of activity is not significant, are not included

Source: (BBVA, 2020 - BBVA earns €1.14 billion in 3Q20)

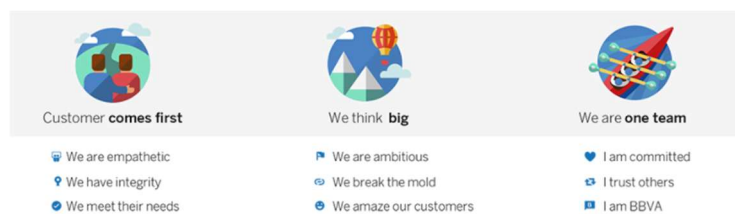
<https://www.bbva.com/en/results-3q20/>

- **Exhibit #2: BBVA's Mission and Vision (page 2)**



Source: (BBVA, 2020 - Annual Report 2019)  
<https://accionistaseinversores.bbva.com/microsites/cuentasanuales2019/en/management-report/non-financial-information-report/index.html>

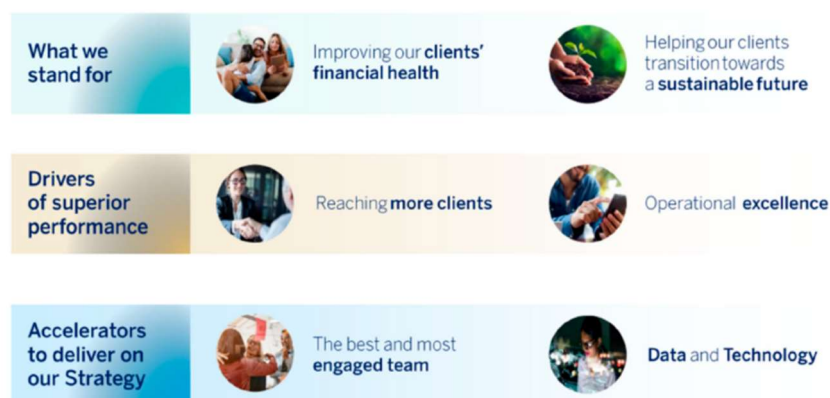
- **Exhibit #3: BBVA's Three Values (page 2)**



Source: (BBVA, 2020 - Annual Report 2019)  
<https://accionistaseinversores.bbva.com/microsites/cuentasanuales2019/en/management-report/non-financial-information-report/index.html>

- **Exhibit #4: Six Strategic Priorities (page 2)**

BBVA's new strategy is composed of three blocks and six strategic priorities.



Source: (BBVA, 2020 - Annual Report 2019)  
<https://accionistaseinversores.bbva.com/microsites/cuentasanuales2019/en/management-report/non-financial-information-report/index.html>

- **Exhibit #5: BBVA's new mission since February 2019 (page 3)**



Source: (News BBVA, 2018 - BBVA'S New Tagline: 'Creating Opportunities')  
<https://www.bbva.com/en/bbvvas-new-slogan-creating-opportunities/>

- **Exhibit #6: BBVA's Values Day statements (page 5)**

In 2020 "Values Day," the group executive chairman – Carlos Torres Vila (*Exhibit #F*) – stated:

*"Our values are the key that will allow us to continue to lead the process of transformation at a global level."*

(NEWS BBVA. 2020 – *BBVA Takes Its Annual Engagement with Corporate Values Online*)

Moreover, BBVA's CEO – Onur Genç – added:























*"We encourage employees to cultivate corporate values, not only during the day's events, but every day."*

(NEWS BBVA. 2020 – *BBVA Takes Its Annual Engagement with Corporate Values Online*)

Finally, the Head of Corporate Culture – Ángel Hernández Riloja – stressed

*"With the pandemic, BBVA's values have been more present than ever. Our commitment to digitization has been key, but the difference has been made by the employees applying the values in their day-to-day to give a differential response to society."*

(Noticias Bancarias, 2020).

 Chief Executive Officer Onur Genç			 Group Executive Chairman Carlos Torres	
BUSINESS UNITS	GLOBAL FUNCTIONS	TRANSFORMATION	STRATEGY	LEGAL AND CONTROL
 Corporate & Investment Banking Luisa Gómez Bravo	 Client Solutions David Puente	 Engineering & Organization Ricardo Forcano	 Global Economics & Public Affairs José Manuel González-Páramo	 Legal María Jesús Arribas
 Country Monitoring <sup>1</sup> Jorge Sáenz-Azcúnaga	 Finance Jaime Sáenz de Tejada	 Talent & Culture Carlos Casas	 Senior Advisor to the Chairman Juan Asúa	 General Secretary Domingo Armengol
 Country Manager Spain Peio Belausteguilandia	 Global Risk Management Rafael Salinas	 Data Ricardo Martín Manjón	 Strategy & M&A Victoria del Castillo	 Regulation & Internal Control <sup>2</sup> Ana Fernández Manrique
 Country Manager Mexico Eduardo Osuna			 Communications & Responsible Business Paul G. Tobin	 Internal Audit <sup>2</sup> Joaquín Gortari
 Country Manager The United States Javier Rodríguez Soler				
 Country Manager Turkey Recep Bastug				

Source: (BBVA, 2020 - Annual Report 2019)  
<https://accionistaseinversores.bbva.com/microsites/cuentasanuales2019/en/management-report/non-financial-information-report/index.html>

- **Exhibit #7: Q2 rebound in activity in the summer months (page 7)**



Source: (BBVA, 2020 - Spain Economic Outlook 4Q20)

[https://externalcontent.blob.core.windows.net/pdfs/Spain\\_Economic\\_Outlook\\_4Q20\\_WB-637390470937959511.pdf](https://externalcontent.blob.core.windows.net/pdfs/Spain_Economic_Outlook_4Q20_WB-637390470937959511.pdf)

- **Exhibit #8: Forecasts macroeconomic data made by international and governmental institutions (page 7)**

MAIN FORECASTS FOR SPAIN																												
% annual change (unless otherwise indicated)	Exports of goods and services				Imports of goods and services				Current account bal. (% GDP)				Net lending vis-à-vis ROW (% GDP)				External sector cont. GDP (%)				Domestic demand cont. GDP (%)				GDP			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Spanish Gov. <sup>1a</sup>	2,3	-22,7	11,7	-	0,7	-20,0	8,6	-	-	-	-	-	-	-	-	-	0,6	-1,5	1,1	-	1,4	-9,7	6,1	-	2,0	-11,2	7,2	-
Spanish Gov. <sup>1b</sup>	2,3	-22,7	18,0	-	0,7	-20,0	17,1	-	-	-	-	-	-	-	-	-	0,6	-1,5	0,5	-	1,4	-9,7	9,3	-	2,0	-11,2	9,8	-
IMF <sup>2</sup>	2,6	-25,5	10,1	12,9	1,2	-22,3	10,6	11,7	2,0	0,5	0,9	1,3	-	-	-	-	0,5	-1,7	0,0	-	1,5	-11,1	7,2	-	2,0	-12,8	7,2	4,5
EC <sup>3</sup>	2,3	-22,1	14,2	7,8	0,7	-18,9	9,4	7,0	2,1	1,8	2,5	2,8	2,5	2,2	2,9	3,1	0,6	-1,7	1,6	0,5	1,4	-10,8	3,7	4,2	2,0	-12,4	5,4	4,8
OECD <sup>4a</sup>	2,6	-16,7	9,5	-	1,2	-18,0	10,7	-	2,0	2,3	2,0	-	-	-	-	-	0,5	-0,1	-0,1	-	1,5	-11,4	7,8	-	2,0	-11,1	7,5	-
OECD <sup>4b</sup>	2,6	-19,8	5,7	-	1,2	-21,1	7,5	-	2,0	2,3	2,0	-	-	-	-	-	0,5	-0,1	-0,3	-	1,5	-14,6	5,5	-	2,0	-14,4	5,0	-

Source: (Ministerio de Industria, Turismo y Comercio, 2020)

[https://www.thespanisheconomy.com/stfls/tse/ficheros/2013/agosto/20201120\\_SPANISH\\_EXTERNAL\\_SECTOR.pdf](https://www.thespanisheconomy.com/stfls/tse/ficheros/2013/agosto/20201120_SPANISH_EXTERNAL_SECTOR.pdf)

- **Exhibit #9: Macroeconomic projections made by Bank of Spain (page 7)**

#### MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY (2020-2023) (a)

Annual rate of change

	2019	December 2020 projections											
		Mild scenario				Baseline scenario				Severe scenario			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
GDP	2.0	-10.7	8.6	4.8	1.9	-11.1	6.8	4.2	1.7	-11.6	4.2	3.9	1.5
HICP (b)	0.8	-0.3	0.7	1.3	1.4	-0.3	0.6	1.2	1.3	-0.3	0.5	0.9	1.1
Employment (hours worked)	1.5	-10.4	8.6	4.7	2.2	-10.6	7.4	3.9	1.7	-11.4	5.0	3.3	0.9
Unemployment rate (% of labour force) (c)	14.1	15.7	17.1	14.0	12.4	15.8	18.3	15.6	14.3	16.2	20.5	18.1	17.6

**SOURCES:** Banco de España and INE.

NOTE: Latest QNA figure published: 2020 Q3.

**a** Projections cut-off date: 25 November 2020.

**b** Harmonised index of consumer prices.

**c** Annual average.

Source: (Banco de España, 2020 - Macroeconomic projections analysis and research)

[https://www.bde.es/bde/en/areas/analisis-economi/analisis-economi/proyecciones-mac/Proyecciones\\_macroeconomicas.html](https://www.bde.es/bde/en/areas/analisis-economi/analisis-economi/proyecciones-mac/Proyecciones_macroeconomicas.html)

#### MAIN SPANISH MACROECONOMIC AGGREGATES (a)

	2019	2019		2020						
		Q3	Q4	Q1	Q2	Q3	Q4			
National Accounts							Mild	Baseline	Severe	
Quarter-on-quarter rate of change, unless otherwise indicated										
Gross domestic product (GDP)	2.0	0.4	0.4	-5.2	-17.8	16.7	0.6	-0.8	-3.0	
Contribution of national demand (b)	1.4	0.7	0.0	-4.5	-15.6	14.5	1.4	-0.1	-2.0	
Contribution of net external demand (b)	0.6	-0.4	0.4	-0.7	-2.2	2.2	-0.8	-0.7	-1.0	
Year-on-year rate of change										
Employment: hours worked	1.5	0.7	1.4	-4.2	-24.9	-6.2	-6.4	-7.2	-10.4	
Price indicators										
Harmonised index of consumer prices (HICP)	0.8	0.4	0.5	0.7	-0.6	-0.6	-0.8	-0.8	-0.8	
Harmonised index of consumer prices excluding energy and food	1.1	1.2	1.1	1.2	0.9	0.1	-0.1	-0.1	-0.1	

**SOURCES:** INE and Banco de España.

**a** Information available to 25 November 2020. The shaded figures are Banco de España projections under mild, baseline and severe scenarios.

**b** Contribution to the quarter-on-quarter rate of change of GDP, in percentage points.

Source: (Bank of Spain, 2020 - Quarterly Report on the Spanish Economy)

<https://www.bde.es/ffwebbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/20/T4/descargar/Files/be2004-ite.pdf>

- **Exhibit #10: World Economic Outlook Database, October 2020 (page 7)**

Main Indicators	2018	2019 (e)	2020 (e)	2021 (e)	2022 (e)
GDP (billions USD)	1.00	1.00	1.00	1.00	1.00
GDP (Constant Prices, Annual % Change)	2.4	2.0	-12.8	7.2	4.5
GDP per Capita (USD)	30	29	26	31	33
General Government Balance (in % of GDP)	-2.4	-3.1	-7.3	-4.1	-4.2
General Government Gross Debt (in % of GDP)	97.6	95.5	123.0	121.3	120.4
Inflation Rate (%)	1.7	0.7	-0.2	0.8	1.4
Unemployment Rate (% of the Labour Force)	15.3	14.1	16.8	16.8	15.7
Current Account (billions USD)	27.51	27.49	6.72	13.45	19.76
Current Account (in % of GDP)	1.9	2.0	0.5	0.9	1.3

Source: IMF – World Economic Outlook Database, October 2020

Note: (e) Estimated Data

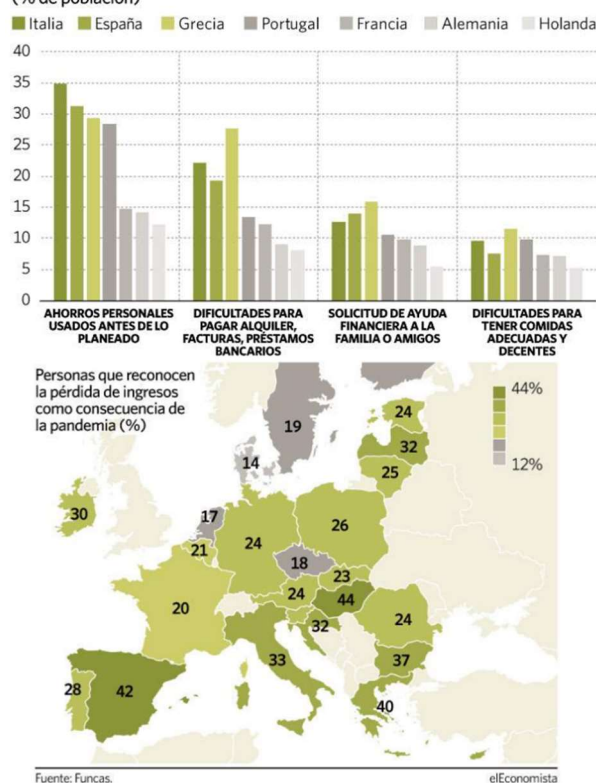
Source: (Santander Bank, 2020 - Spain: Economic and Political outline)

[https://santandertrade.com/es/portal/analizar-mercados/espana/politica-y-economia?url\\_de\\_la\\_page=%2Fes%2Fportal%2Fanalizar-mercados%2Fespana%2Fpolitica-y-economia&&actualiser\\_id\\_banque=oui&id\\_banque=0&memoriser\\_choix=memoriser](https://santandertrade.com/es/portal/analizar-mercados/espana/politica-y-economia?url_de_la_page=%2Fes%2Fportal%2Fanalizar-mercados%2Fespana%2Fpolitica-y-economia&&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser)

- **Exhibit #11: Covid-19 impact on personal income (page 9)**

### Impacto de la pandemia en los ingresos personales

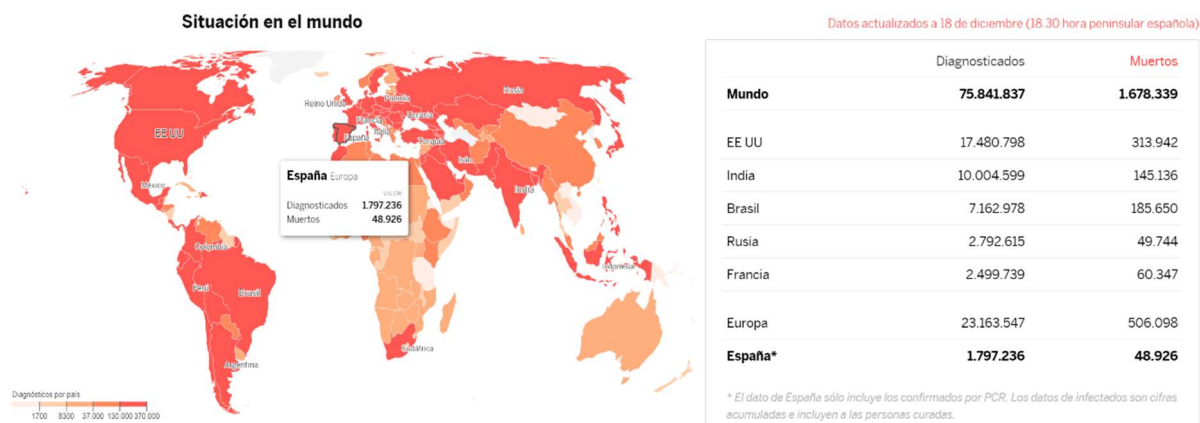
Tipo de impacto económico sufrido como consecuencia de la pandemia  
(% de población)



Source: (Velarde, 2020)

<https://www.eleconomista.es/economia/noticias/10927266/12/20/La-mitad-de-espanoles-pierde-ingresos-por-la-crisis-y-lideran-el-desplome-en-la-UE.html>

- **Exhibit #12: Covid-19 positive cases and deaths figures in Spain (page 9)**



Source: (Clemente et al, 2020)

[https://elpais.com/sociedad/2020/07/27/actualidad/1595838623\\_808240.html](https://elpais.com/sociedad/2020/07/27/actualidad/1595838623_808240.html)

- **Exhibit #13: Compulsory requirements to be met in order to obtain the banking license in Spain (page 16)**

#### Requirements

Companies intending to become a bank under Spanish law must meet the following requirements:

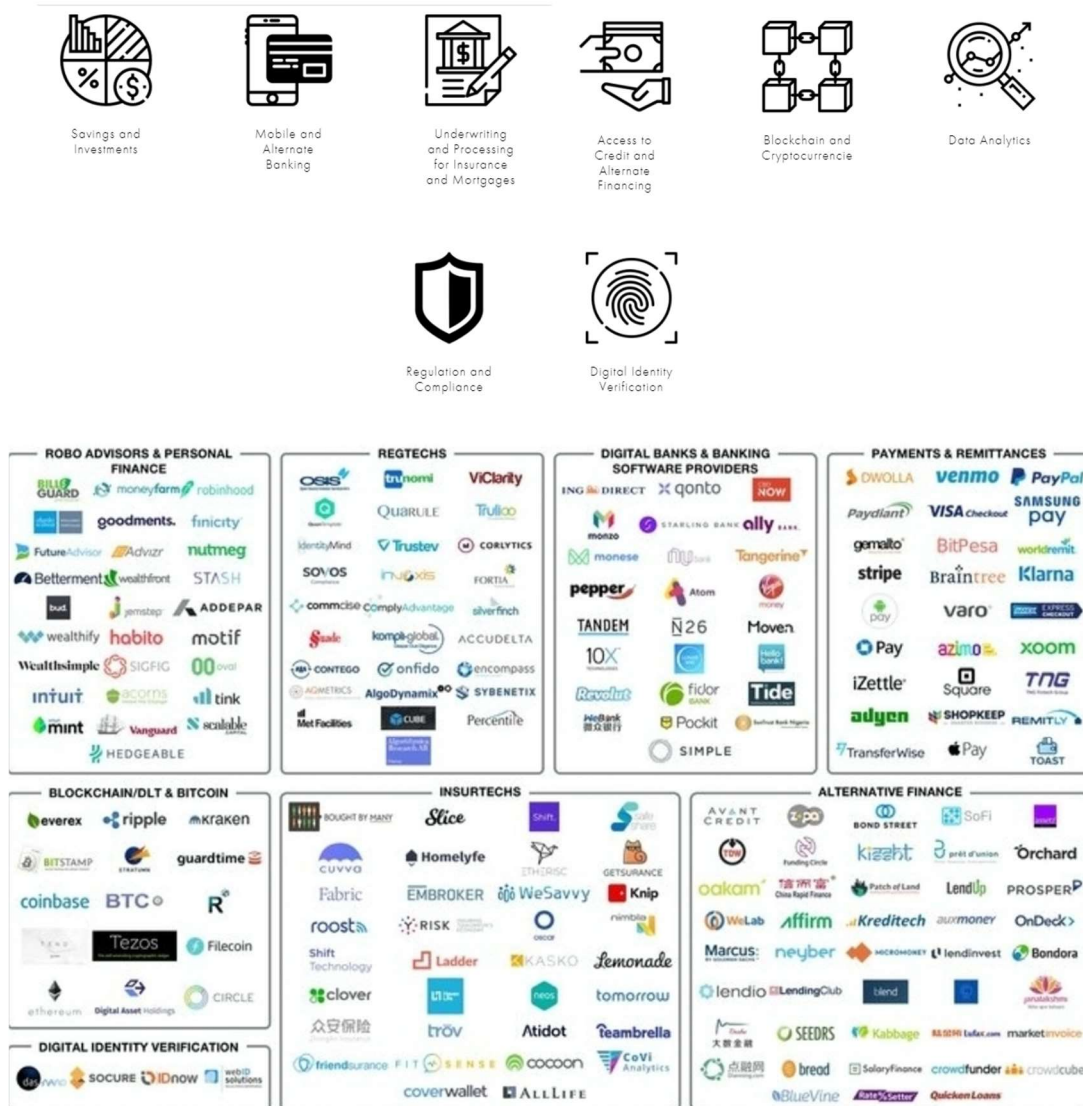
- Take the form of a public limited liability company incorporated by the simultaneous incorporation procedure for an indefinite period.
- Have an initial share capital of not less than EUR18 million, paid up in full in cash and represented by registered shares.
- Limit their corporate object in their articles of association to the activities of a bank.
- Shareholders holding 10% or more of the share capital or voting rights must meet suitability requirements.
- Have a board of directors made up of at least five members who meet suitability requirements.
- Have an adequate administrative and accounting structure and adequate internal control procedures to ensure the sound and prudent management of the bank. Specifically, the board of directors must establish operating rules and procedures to enable its members to fulfil their obligations at all times and to assume their corresponding responsibilities.
- Have its registered office, effective administration and management in Spain.
- Have adequate internal control and communication procedures and bodies to prevent money laundering and financing of terrorism transactions under the conditions established by the corresponding regulations.

If the requirements above are met, the applicant will receive the licence.

Source: (Menéndez, 2020)

<https://www.mybib.com/tools/harvard-referencing-generator>

- **Exhibit #14: Fintech areas (page 17)**



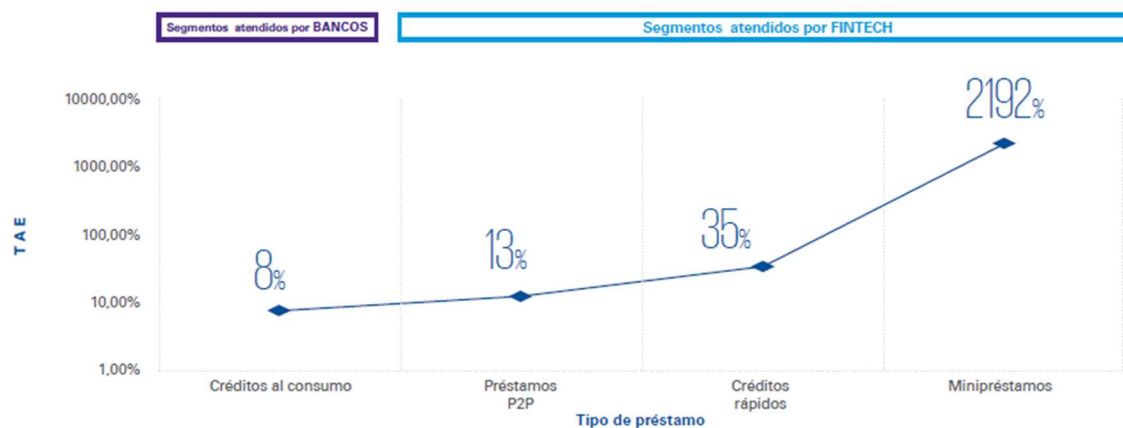
Source: (Pirates, n.d - Telco-Financial Services).  
<https://www.pirateslabs.com/telco-financialservices>

- **Exhibit #15: Fintech firms in the Spanish market - AEFI (page 17)**

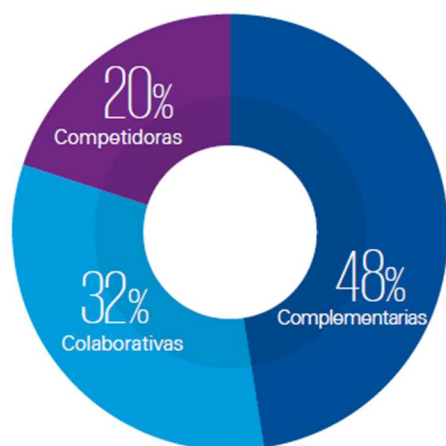


Source: Asociación Española de FinTech e InsurTech (n.d)  
<https://www.asociacionfintech.es/aeft/asociados>

- **Exhibit #16: Fintech as a complement and not a substitute for traditional banking services (page 18)**



En su mayoría, las Fintech ofrecen productos complementarios destinados a segmentos de clientes históricamente desatendidos por los bancos, o servicios de soporte a los procesos de la banca tradicional, por lo tanto colaborativos.



De las 300 Fintech nacionales se calcula que, actualmente, el 48% de las compañías son complementarias a los bancos, el 32% son colaborativas y el 20% competidoras.

### Complementarias

- Asesoramiento y Gestión Patrimonial
- Financiación Alternativa
- Crowdfunding/lending sobre activos o bienes tangibles

### Colaborativas

- Identificación online de clientes
- Big Data
- Finanzas personales
- Infraestructura financiera
- Criptomonedas & Blockchain

### Competidoras

- Servicios Transaccionales/Divisas
- Neobanks y Challenger Banks
- Medios de pago

Source: (KPMG, 2020 - La Banca ante las Fintechs)  
<https://assets.kpmg/content/dam/kpmg/es/pdf/2019/12/La-banca-ante-las-fintech.pdf>.

- **Exhibit #17: BigTech firms (page 18)**

 <p>Se creó el 4 de septiembre de 1998 en California, USA. En sus 20 años de existencia cuenta con un total de 55.000 empleados distribuidos por todo el mundo. Actualmente se trata de la 3ª empresa más valiosa del mundo con una capitalización de 727.642 millones de euros.</p>	 <p>Fue fundado a finales de 1999 en Pekín, China. Tiene un diseño similar al de Google y se trata del buscador más popular en China y el tercero del mundo. Actualmente cuenta con una capitalización de 51.407 millones de euros.</p>
 <p>Creada el 5 de julio de 1994 en Seattle, USA. Comenzó como una empresa de venta de libros online y hoy en día se trata de la mayor empresa de venta de todo tipo de productos al por menor. Se trata de la 2ª empresa más valiosa del mundo con una capitalización de 742.108 millones de euros.</p>	 <p>Fue creada por un consorcio privado que inició sus operaciones en el año 1999 en China. Comenzó como un sistema de ventas para conectar a los fabricantes chinos con compradores extranjeros. Hoy en día conecta directamente a los fabricantes chinos con los compradores particulares. Es la 7ª empresa mundial y cuenta con una capitalización de 415.455 millones de euros.</p>
 <p>Se fundó el 4 de febrero de 2004 en Massachusetts, USA. En sus inicios se trataba de una red social para conectar universitarios y hoy en día cuenta ya con más de 2.000 millones de usuarios. Se trata de la 5ª empresa más valiosa del mundo con una capitalización de 426.536 millones de euros.</p>	 <p>Esta multinacional fue fundada en noviembre de 1998 en China. Su principal actividad es proveer productos y servicios de internet además de ofrecer servicios de publicidad en internet en China. En el ranking mundial de empresas ocupa el 8º lugar con una capitalización de 368.174 millones de euros.</p>
 <p>Fue fundada el 1 de abril de 1976 en California, USA. Tras 40 años de historia la empresa ha aumentado su línea de productos ofreciendo además de ordenadores, teléfonos, relojes, aplicaciones informáticas... Se trata de la empresa más valiosa del mundo con una capitalización de 788.871 millones de euros.</p>	

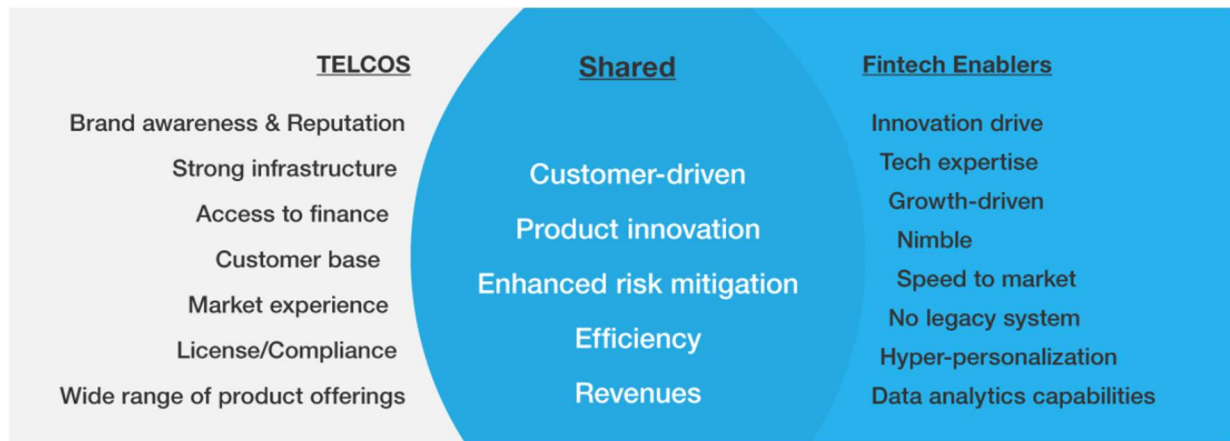
Source: KPMG, 2020 - La Banca ante las Bigtechs.  
<https://assets.kpmg/content/dam/kpmg/es/pdf/2019/12/La-banca-ante-las-fintech.pdf>.

- **Exhibit #18: Orange Telco in the financial market (page 19)**



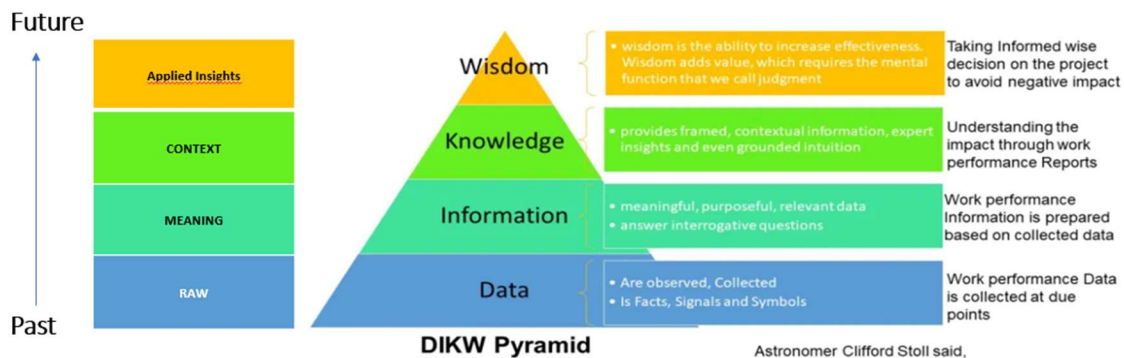
Source: (Bembaron, 2017).  
<https://www.lefigaro.fr/secteur/high-tech/2017/10/03/32001-20171003ARTFIG00167-orange-lance-sa-banque-le-2-novembre.php> [Accessed 27 Dec. 2020].

- **Exhibit #19: Telco firms vs. Fintechs (page 20)**



Source: (Valentin, 2020).  
<https://fintechos.com/telcos-magic-formula-for-growth/>

- **Exhibit #20: DIKW Pyramid (Data, Information, Knowledge, and Wisdom) (page 20 )**



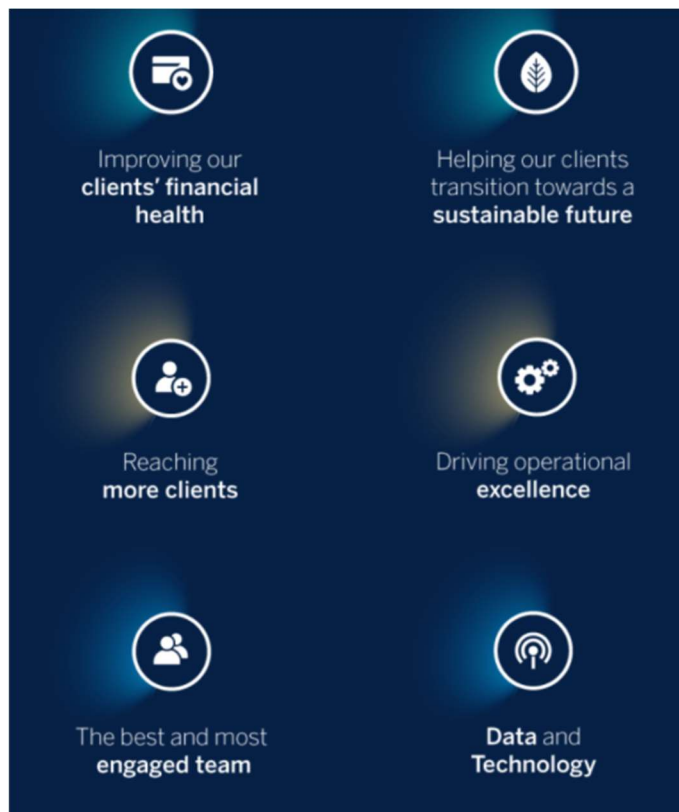
Source: (Iqbal, 2019)  
<https://mudassariqbal.net/data-information-knowledge-and-wisdom-dikw-pyramid/>

- **Exhibit #21: How BBVA executes the strategy (page 20)**



Source: Molina Fernandez and Hernandez Serra, 2020)  
 Programa de Direccion Big Data & AI 2020 – Sector Banca  
 [PowerPoint presentation] Instituto de Empresa (IE)







- **Exhibit #22: Set of Six new behaviors for the transformation of the organizational culture (page 22)**






Source: (BBVA, 2020 - BBVA presents the Group's six new strategic priorities to employees)  
<https://www.bbva.com/en/bbva-presents-the-groups-six-new-strategic-priorities-to-employees/>

- **Exhibit #23: Net Cash App- Solutions for SMEs and businesses (page 24)**




The most efficient way to manage your business

 <p><b>Global position</b></p> <p>Find out the status of your BBVA products at a glance wherever you are. Get fast and intuitive access to detailed information whenever you need it.</p>	 <p><b>Account information</b></p> <p>Get a complete overview of your accounts and control all your transactions. View your overall balance and transaction history, and access individual payment and deposit statements.</p>	 <p><b>Virtual Mail</b></p> <p>View and download documents related to charges, deposits, payment receipts, and tax information at any time and anywhere. What's more, there's no paperwork involved.</p>
 <p><b>POS terminals</b></p> <p>Obtain detailed information about each transaction carried out with your business POS terminals (physical and virtual).</p>	 <p><b>Loans</b></p> <p>Everything your business needs to grow. Access your lines of funding, consult past provisions, and request new ones. See how much you've drawn down and request new credit in General position &gt; Financing.</p>	 <p><b>Company cards</b></p> <p>Manage all your company cards easily and securely. Request new cards, block cards, and load your prepaid cards online.</p>

More customized services for you and your business.

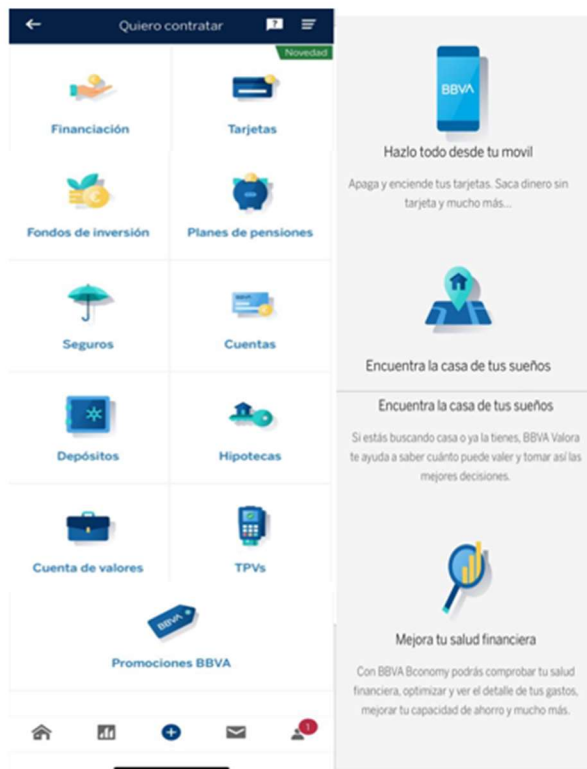
 <p><b>Payments</b></p> <p>Carry out standard and complex transactions quickly and intuitively.</p>	 <p><b>Collected</b></p> <p>Simplify and improve your business payment collection management including debit entries to supplier reverse factoring.</p>	 <p><b>Foreign trade</b></p> <p>Make business payments and expedite your payment collections from anywhere in the world.</p>
--	--	---

Get the most out of your business

 <p><b>Notifications</b></p> <p>Get immediate information on your cell phone about events that matter to your business.</p>	 <p><b>File test</b></p> <p>Perform detailed checks to see if your files are valid or require modification. Correct your files online.</p>	 <p><b>Certificates</b></p> <p>Save time requesting your balance and ownership certificates, etc., without needing to go to the bank.</p>
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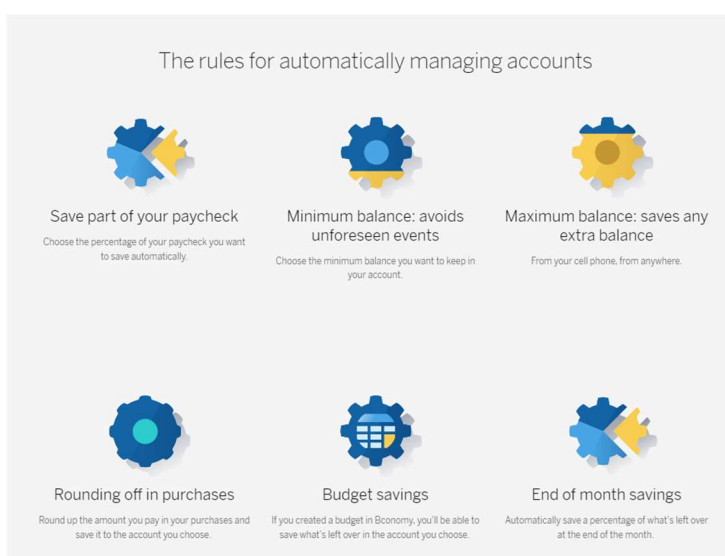
Source: (BBVA, 2021 - BBVA ESPAÑA)  
<https://www.bbva.es/empresas/net-cash.html>

- **Exhibit #24: BBVA App or DIY GLOMO features (page 25)**



Source of own elaboration - BBVA App

- **Exhibit #25: Set up your account features (page 25)**



Source: BBVA, 2021 - BBVA SPAIN - Set your account.

www.bbva.es. Available at: <https://www.bbva.es/en/personas/banca-online/programa-tu-cuenta.html>

- **Exhibit #26: BBVA Valora (page 26)**

## ¿Qué es **BBVA VALORA**?

Puntúa tu experiencia

Con **BBVA Valora** podrás conocer el precio estimado de venta de inmuebles similares cercanos, y el precio aproximado de compraventa, así como el impacto que pueda tener esta compra en tus finanzas.



### Cuánto puede valer

Conoce una **valoración de la vivienda** y  
otros puntos clave.\*

## Analiza una vivienda



## Cómo es el barrio

Descubre **información sobre la zona**  
concreta que te interese.\*

### Analiza el barrio



## Cómo hacer tus números

Averigua el **impacto de la compra** en tus finanzas y **calcula otros gastos**.

Haz tus números


**Cómo es el barrio**

 **Cómo hacer tus números**

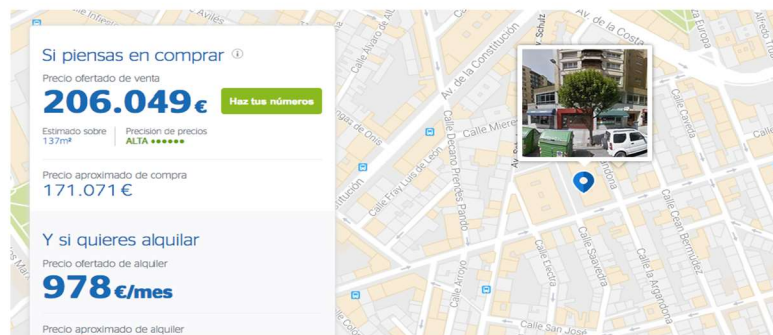
Vivienda en MANUEL LLANEZA, 42 1-0A Escalera 1 33208 GIJON

Referencia catastral 4840303TP8243N0137FU

[Volver a buscar](#)

Compártelo: [https://www.bbva.es/...](https://www.bbva.es/)      Enviar a un amigo

¿Cómo calculamos estos datos?



Calcula la cuota de tu hipoteca ⓘ

Indicanos tus ingresos netos mensuales

2.600 €

La vivienda se encuentra en

ASTURIAS

Residencia habitual

☐ No ☒ Sí

Vivienda nueva

☒ No ☐ Sí

¿Cuánto cuesta la casa que quieres?

171.000 €

¿Cuánto dinero necesitas?

136800 €

¿En cuántos años quieres pagar la hipoteca?

30 años

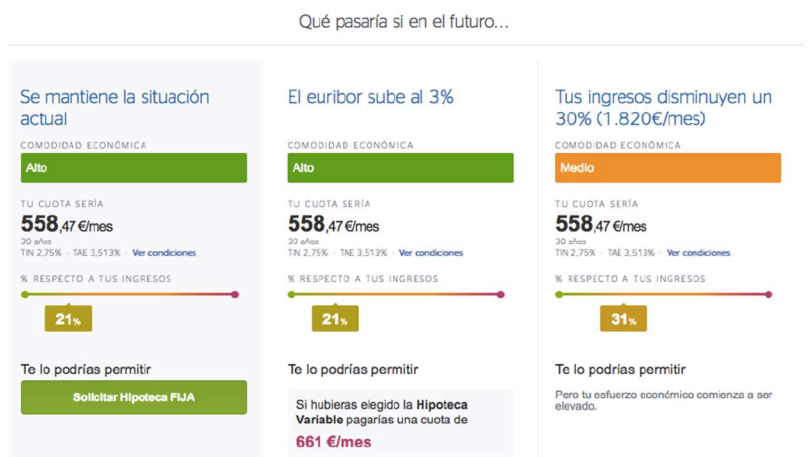
50.000 171.000 10% Max. 80% 10 30

Haz tus números

Selecciona la hipoteca que más te interesa

Hipoteca VARIABLE		Hipoteca FIJA		Hipoteca MIXTA	
Plazo y cuota del periodo inicial		Tu cuota mensual será siempre la misma, sin subidas ni sorpresas.		Plazo y cuota del periodo inicial	
24 MESES	488,71 € TIN 1,75%   TAE 1,868%	Tu cuota mensual será de		10 AÑOS	522,91 € TIN 2,25%   TAE 2,451%
Cuota mensual el resto de los 28 años si no varía el Euribor		558,47 € TIN 2,75%   TAE 3,513%		Cuota mensual el resto de los 20 años si no varía el Euribor	
453,02 € EURIBOR + 1,25   TIN 1,17%   TAE 1,868%		Solicitar hipoteca		472,13 € EURIBOR + 1,25   TIN 1,17%   TAE 2,451%	
Ver condiciones Coste total de la hipoteca 38.969 €		Solicitar hipoteca		Ver condiciones Coste total de la hipoteca 51.086 €	
Ver condiciones Coste total de la hipoteca 77.592 €					

*Continues*



Source: (Molina Fernandez, 2019)  
 Programa de Direccion Big Data & AI 2020 – Caso BBVA Valora

- **Exhibit #27: Figures that show the impact of BBVA's digital transformation (Two years change) (page 27)**

## The impact of transformation: Spain

Two years change (Jun'17 vs Jun'19)

BBVA Spain has grown its customer base. It has also increased client satisfaction and retention by using a more efficient relationship model, which has lowered operating expenses



### GROWTH

Acquiring more engaged and profitable clients

**+33%**

Digitally acquired clients

**+11%**

Net fees & commissions <sup>(1)</sup>



### ENGAGEMENT

Resulting in higher client satisfaction and retention

Leading since 2017

NPS <sup>(2)</sup>

**-18%**

Attrition rate

**App European Leader in Mobile Banking**

2017 | 2018 | 2019 <sup>(3)</sup>



### EFFICIENCY

Lowering cost to sell and serve our clients

**-8%**

Operating Expenses

**-14%**

Branches

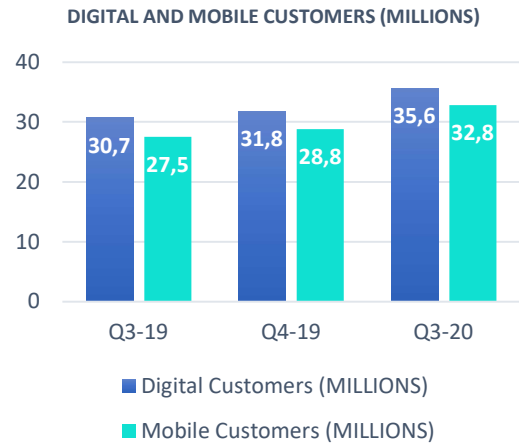
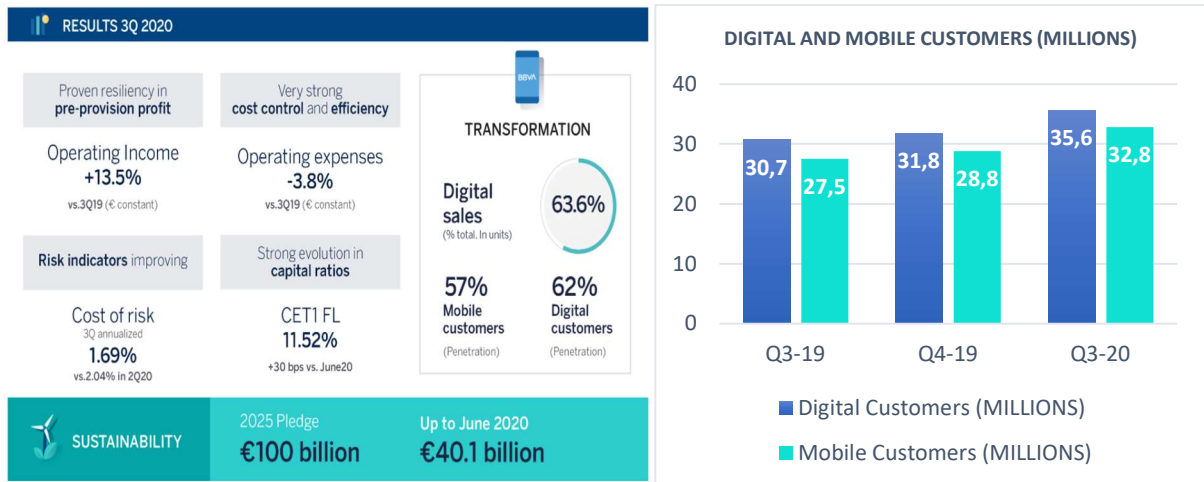
**+79%**

Remote serviced clients

Notes: (1) Fees excluding CIB business. (2) NPS: Net promoter score. Peer Group: four largest Spanish Banks (3) The Forrester Banking Wave™: European Mobile Apps. Q2 2019

Source: (Semple, 2019)  
<https://www.bbva.com/en/ahead-of-the-curve-in-digital-transformation/>

- **Exhibit #28: 3Q 2020 Report figures that show the increase in digital customers (page 27)**



Source: (BBVA, 2020 - BBVA earns €1.14 billion in 3Q20)  
<https://www.bbva.com/en/results-3q20/>

- **Exhibit #29: 3Q Y20 Results (page 31)**



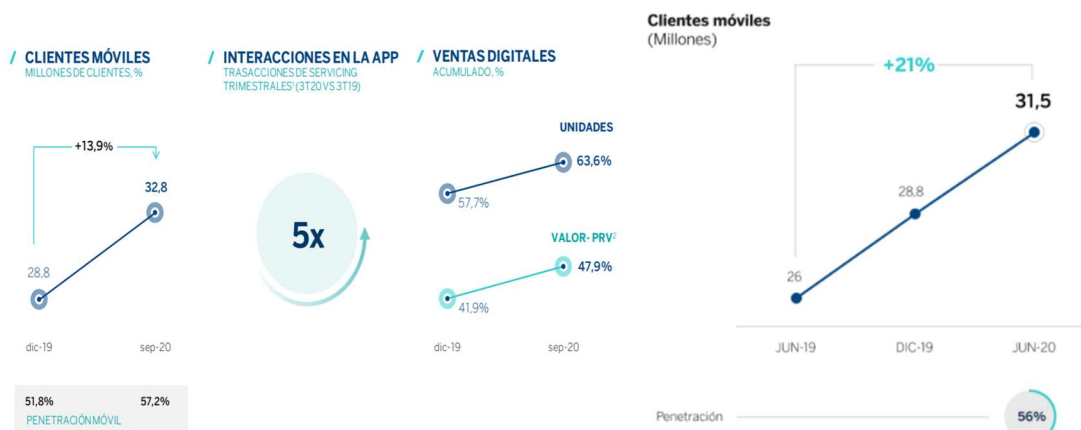
Continues

1	Fortaleza del <b>margen neto</b>	MARGEN NETO (€ constantes) <b>+13,5%</b> vs. 3T19
2	Excelente <b>control de costes</b> y <b>liderazgo en eficiencia</b>	GASTOS (€ constantes) <b>-3,8%</b> vs. 3T19
3	Mejora de los <b>indicadores de riesgo</b> , en línea con lo esperado	COSTE DEL RIESGO (Acumulado) <b>1,69%</b> vs. <b>2,04%</b> in 2T20
4	Evolución muy positiva de los <b>ratios de capital</b>	CET1 FL <b>11,52%</b> <b>+30 pbs</b> vs. jun20
5	Liderazgo en <b>transformación digital</b>	CLIENTES MÓVILES <b>+4 millones</b> vs. dic19

Source: (BBVA, 2020 – Results 3Q20)

[https://accionistaseinversores.bbva.com/wp-content/uploads/2020/10/301020PresentacionResultados3T20\\_esp-2.pdf](https://accionistaseinversores.bbva.com/wp-content/uploads/2020/10/301020PresentacionResultados3T20_esp-2.pdf)

- **Exhibit #30: Increase in the APP interactions during the pandemic (page 32)**



Source: (BBVA, 2020 – Results 3Q20)

[https://accionistaseinversores.bbva.com/wp-content/uploads/2020/10/301020PresentacionResultados3T20\\_esp-2.pdf](https://accionistaseinversores.bbva.com/wp-content/uploads/2020/10/301020PresentacionResultados3T20_esp-2.pdf)