

# Retail banking's silent revolution scales for relevance in a digital world

The European digital banking landscape; particularly in France; is undergoing a rapid transformation, driven by shifting demographic dynamics, evolving consumer behaviors, and digital disruption. Traditional retail banks face growing pressure as the aging population, younger generations' preference for frictionless digital services, and e-commerce-fueled demand for alternative payments converge to challenge existing economic models.

The projected loss of NBI <sup>(1)</sup> in France could reach €10 billion, with €5B linked to payment disintermediation (especially through e-commerce), €2B from consumer and auto credit substitution and €3B due to disintermediation in savings via digital-native players and independent financial advisors. If unaddressed, these changes may degrade bank profitability, pushing cost-to-income ratios beyond 80%, a critical level when faced with potential increases in risk costs.

At the forefront of this evolution stand Nubank and Revolut, setting new benchmarks in digital banking. From 2020 to 2024, Nubank scaled from 33M to 114M customers (CAGR +36%) and Revolut from 15M to 53M (CAGR +37%). In 2024, Nubank generated \$11.5Bn in revenue versus \$3.9Bn for Revolut, and both nearly doubled their net incomes. These results exemplify the power of scalability, customer-centricity, and operational excellence in the digital era.

Success stories like Nubank and Revolut do not rely on product complexity or pricing warfare, but rather on strategic simplicity and radical alignment with digital-native lifestyles, what could be described as a "People of Anywhere" mindset. Their playbook is clear:

## WHERE TO COMPETE

Broad market inclusion rather than niche targeting; reclaiming underserved and unbanked populations

## HOW TO COMPETE

- Hyper-simplified offerings designed for low financial literacy but high tech affinity
- Seamless, Amazon-like user journeys (e.g., two-click onboarding)
- Full AI-augmented digital operations (profiling, compliance, servicing)
- Super-app ecosystem that unifies front-end UX and back-end efficiency
- Strategic partnerships to overcome geographic limitations
- Community-centric branding for trust and differentiation

**Three stages of execution** drive their model:

- Hook the user** (strong acquisition funnel for nubank with COA <sup>(2)</sup> as low as \$7 per customer),
- Deliver an unbeatable UX**, and
- Extend and monetize** through cross-selling and feature expansion.

Their near-compliance and RegTech agility enable innovation even in highly regulated environments. Their modular IT approach—cost-efficient cores with AI-driven front layers—ensures scalability and customization simultaneously.

Replicating Revolut or Nubank isn't feasible one-to-one, but their model offers sharp strategic lessons; especially when reframed through local constraints. On the **revenue side**, banks must ask: which client segments are most at risk of churn; who are the digital natives, freelancers, young savers, or micro-entrepreneurs whose needs are unmet today? Are we letting a "tribe" silently slip away to better-designed alternatives? The defense must be both **tactical** (retention-focused features, digital journeys) and **strategic** (embedding relevance in channels where these users already live).

**On the cost side**, the real trap is technological and organizational **adhesion**: the more a digital effort is tied to legacy infrastructure, the more fragile and expensive it becomes. There is a strong case for building certain services or layers **from scratch**, using modular, cloud-native tech with minimal interdependencies. Finally, **on the risk axis**, the challenge is to **deflate the compliance stack**: if regulatory processes are not reengineered to support agility, innovation stalls by default. Competing with digital players means reshaping compliance as an enabler, not a bottleneck.

1 Net banking income

2 Cost of acquisition