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Digitise or Die:

The Traditional Banks' Path to Neo-Bank Agility

By

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Executive Summary

- It's 2025, the banking sector stands at a pivotal point, with traditional banks grappling to match the agility and innovation of neo-banks like Revolut, saw its brand value soar by 795% to $1.9 billion in a recent survey.
- Brand strength often mitigates digital disruption in banking by fostering customer trust, loyalty, and differentiation in a disruptive market.
- While established institutions like HSBC still maintain strong brand equity, high-profile digital failures, such as HSBC's Zing, underscore a persistent innovation gap. Meanwhile, banks urgently need to address new business areas enabled by technology, such as stablecoins.
- This article analyses the structural, cultural, and strategic barriers hindering traditional banks, drawing lessons from successful digital transformations like DBS Bank and Weyay by National Bank of Kuwait.
- It proposes a five-step framework—reimagining banking, bringing UX to the DNA of the organisation, redefining digital as non-technical, planning transitions, and iterative rollouts—to bridge this gap.
- As AI and digital technologies reshape customer expectations and operational models, traditional banks must create neo-bank agility or risk irrelevance.

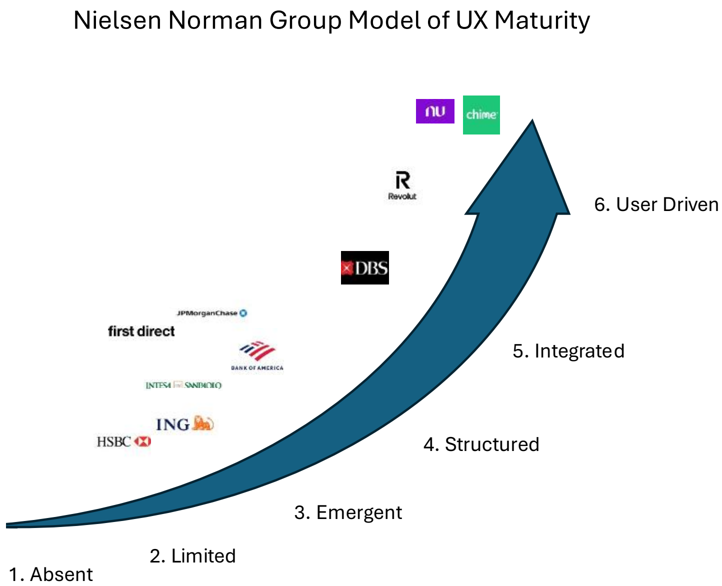
“"It is not the strongest of the species that survives, nor the most intelligent,

but the one most responsive to change."

Charles Darwin”

Key Picture: The Nielsen-Norman UX Maturity Curve

1.Absent: UX is completely ignored or unknown.
2.Limited: UX work is ad hoc, occasional, an isolated attempt without strategy.
3.Emergent: The importance of UX is recognised, there are dedicated efforts, but methods and processes are not yet uniform, and the impact is limited.
4.Structured: The organisation has established UX processes and methodologies; UX work is organised, but not necessarily optimal or fully integrated yet.
5.Integrated: UX is organically incorporated into product development cycles, UX research and design are routine, and teams work together effectively. UX also appears at a strategic level.
6.User-Driven: The entire organisation's culture and strategy are organised around user needs. UX is proactive, data-driven, and involved in the highest -level decision -making.



Source: Ergomania

Introduction

The banking industry in 2025 reflects a tale of contrasting fortunes. HSBC, celebrating its 160th anniversary, retains its position as Europe's top banking brand with a 39% brand value increase to $27.8 billion, according to Brand Finance's March 2025 report. Meanwhile, neo-banks like Revolut, ranked 144 globally, have disrupted the sector, with an unprecedented 795% brand value surge to $1.9 billion. The global banking brand value has reached $1.6 trillion, rebounding from the 2008 financial crisis, yet traditional banks struggle to replicate neo-banks' digital prowess. However, high-profile failures, such as HSBC's Zing and NatWest's Bó, highlight the stakes: significant investments often yield low adoption due to strategic misalignment and legacy constraints. This article examines why traditional banks falter, explores neo-banks' disruptive strategies, and proposes a roadmap for transformation.

1. Neo-Banks Redefining Banking

Neo-banks, unencumbered by legacy systems, are redefining banking through lean, customer-centric models to build market share. Revolut's meteoric rise through it's user-friendly, low-cost, and feature-rich platform, and Starling Bank's 'Spending Intelligence' feature, which allows users to get analysis of their spending by asking plain English questions such as "How much did I spend on groceries last week?"—illustrate their appeal. A 2024 Motley Fool study found 76% of consumers are open to switching for better digital services, signalling eroding loyalty. These innovations contrast sharply with traditional banks' struggles, as seen in the closure of services like Barclays' Pingit and JPMorgan's Finn, which failed to scale despite investments exceeding $100 million.

2. Traditional Banks' Digital Struggles

Traditional banks face structural and cultural barriers that impede digital transformation:

1. **Legacy Systems and Governance**: Extensive governance structures, with multiple boards and committees, delay decision-making, allowing nimble neo-banks to capture market share. Compliance complexities across jurisdictions further slow innovation.

2. **Cultural Complacency**: A culture of stability discourages risk-taking, with employees and leaders prioritizing safe, incremental changes over bold innovation. Adopting unproven technologies like AI requires vision that traditional banks often lack.

3. **Strategic Misalignment**: Digital initiatives like HSBC's Zing ($150 million, 30,000 customers) and NatWest's Bó (£100 million, 11,000 customers) overlapped with core offerings, failing to attract users who preferred neo-banks' seamless experiences.

These challenges manifest in high-cost, low-impact ventures, eroding customer trust and brand equity. For instance, HSBC's Zing closure in 2025, following the departure of its Wealth MD, highlights the difficulty of integrating fintech agility within rigid structures.

At the same time, NEO banks forge ahead, Revolut report looking to acquire a small bank in Argentina and develop a stablecoin payment infrastructure.

3. The Emergence of Opportunities with Stablecoins and the Effect on Financial Industry Dynamics

In June 2025, the U.S. government passed the GENIUS Act, a landmark piece of legislation aimed at regulating stablecoins with a strong focus on consumer protection and transparent oversight.

Stablecoins—cryptocurrencies pegged to fiat currencies like the U.S. dollar—are less volatile than traditional cryptocurrencies such as Bitcoin and have quickly gained popularity for their speed and cost-efficiency in cross-border transactions. With a combined market value surpassing $200 billion, the sector is currently dominated by Tether (USDT, 67%) and Circle (USDC, 27%).

Stablecoins are increasingly used in international payments, decentralized finance (DeFi), and tokenized asset trading, pushing them closer to mainstream financial systems. According to the *Wall Street Journal* (2025), the stablecoin market could grow to $2.5 trillion by 2030, signalling a major shift in how value moves across global networks.

The GENIUS Act opens the door for traditional banks to issue their own stablecoins and compete more directly in the digital payments landscape. This could give legacy institutions a competitive edge over fintech challengers—*if* they can overcome the steep demands of blockchain integration and cybersecurity investment. Building the necessary infrastructure and achieving interoperability will test the adaptability of traditional banking systems.

Major banks like Bank of America, JPMorgan, Citigroup, and Wells Fargo are reportedly evaluating stablecoin offerings in light of the new regulation and the way the way that the stablecoins is developing. The figure below shows the players now active in the stablecoins ecosystem in cross border payments.

Figure 1: Stablecoins in Cross Border Payments

Source: FXC Intelligence

This illustrates how fintech players are already starting to occupy this space. In an example of wider adoption by neobanks, Revolut has begun offering USDT and USDC through its crypto wallet, allowing users to buy, sell, and exchange stablecoins while generating commission revenue. The neobank is also reportedly exploring the launch of its own stablecoin (Decrypt, 2025).

At the same time, Atticus Bank, a stealth-mode neobank focused solely on stablecoins, is preparing to enter the market. With a projected valuation of $1.5 to $2 billion, Atticus is poised to become one of 2025's fintech unicorns, challenging traditional banks' dominance in payments and underscoring how neobanks continue to lead in capitalizing on emerging opportunities.

4. Neo Banks are Outpacing Their Traditional Competitors in Redefining User Experiences

Although the banking sector has indeed taken steps towards digitalisation in recent years, this often proves insufficient in international competition, especially against Fintechs. Historically, players have competed more with each other, and the main goal of many banking digital projects was to "have" every feature that competitors also had (e.g., online account opening, mobile payments). The ease of access of these services from Neo banks has allowed them to increase their customer take up at phenomenal speed. Revolut recently reported over 65,000 new customers each month.

Most banks recognise the importance of UX but often handle the solution superficially: "Let's create a UX department, hire X number of UX specialists, and then everything will be fine." But this is not the case at all. The real, deep-rooted problem is the low level of the organisation's UX maturity. This concept expresses how deeply user-centred design has been integrated into the company's culture, processes, and strategy.

Neo Banks realise that UX maturity is a competitive requirement not an optional extra. According to the Nielsen Norman Group model, there are generally **6 levels of UX maturity** and whilst the Neo Banks are at level 6 most banks are struggling to get to level 4 (see **Key Picture**)

5. Neo Banks are Threatening the Most Valued Customer Segments

Whilst the reader may believe this is disruption within digitally savvy customer segments, disruption is far deeper and how Neo Banks are strategically using their strengths to encroach on traditional banks' high-net-worth segments through new services like stock trading, cryptocurrency investments, and commodities (e.g., gold and silver) through its platform interactions by redefining trust through a cycle of *testing, validation, and expansion* (FT Adviser, 2024):

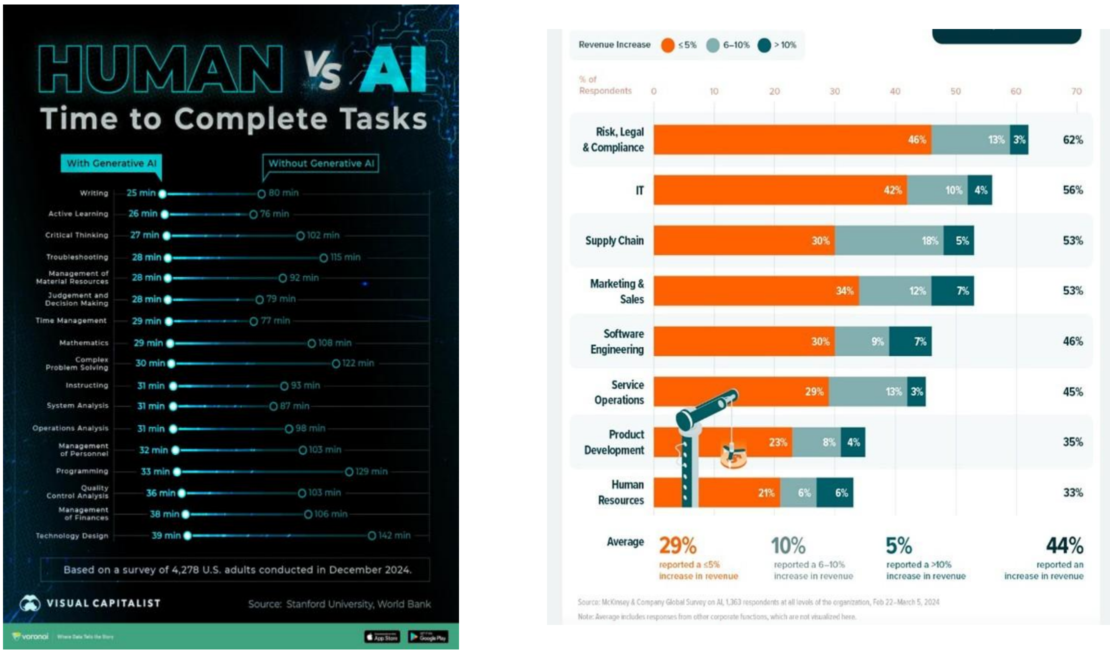
- **Testing**: Clients test operational reliability, depositing small amounts to verify functionality, such as withdrawal ease.
- **Validation**: Transparency and clarity ensure clients understand their investments, prioritizing comprehension over performance metrics.
- **Expansion**: Personalized, client-centric approaches, rather than standardized portfolios, drive deeper engagement.

Neo-banks use AI to tailor offerings, meeting precise client needs (e.g., "2% income, 10% growth, max 10% drop"). Traditional banks, reliant on one-size-fits-all models, struggle to match this personalization, risking their wealth management dominance.

6. AI Tools can be the Great Equaliser

AI is transforming banking across customer-facing and back-end processes. Infosys reports that AI assistants boost developer productivity by 7–15%, enabling tailored applications. Visual Capitalist's analysis (**Figure 2**) highlights the time to complete tasks with AI and the revenue improvements through generative AI.

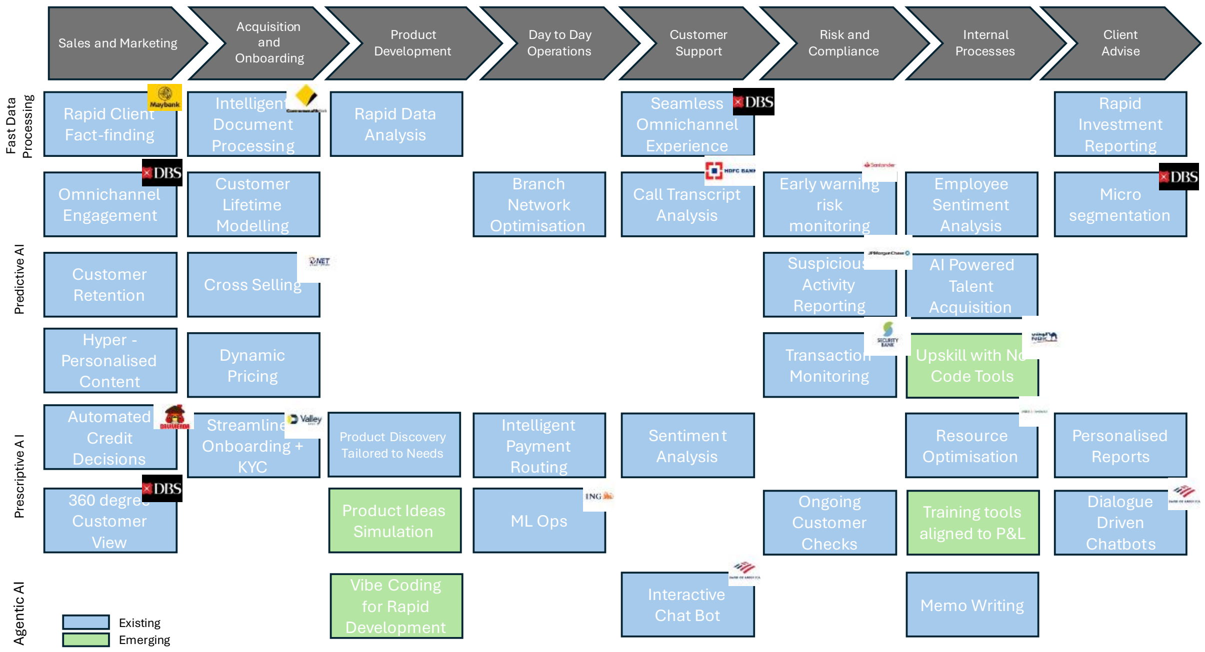
Figure 2: Time Improvement to Complete Tasks with AI and Improvement of Company Revenue



Source: Visual Capiltalist

Traditional banks like Bank of America ($4 billion tech investment in 2025) and Intesa Sanpaolo (10% headcount reduction via AI-driven digitization) are beginning to capitalise, but neo-banks adopt these technologies faster. Successful pilots, such as Santander's predictive AI for loan default monitoring and JPMorgan's transaction compliance systems, demonstrate AI's potential when strategically deployed. The **Key Picture** shows some the improvements made highlighting some of the traditional banks that have adopted them.

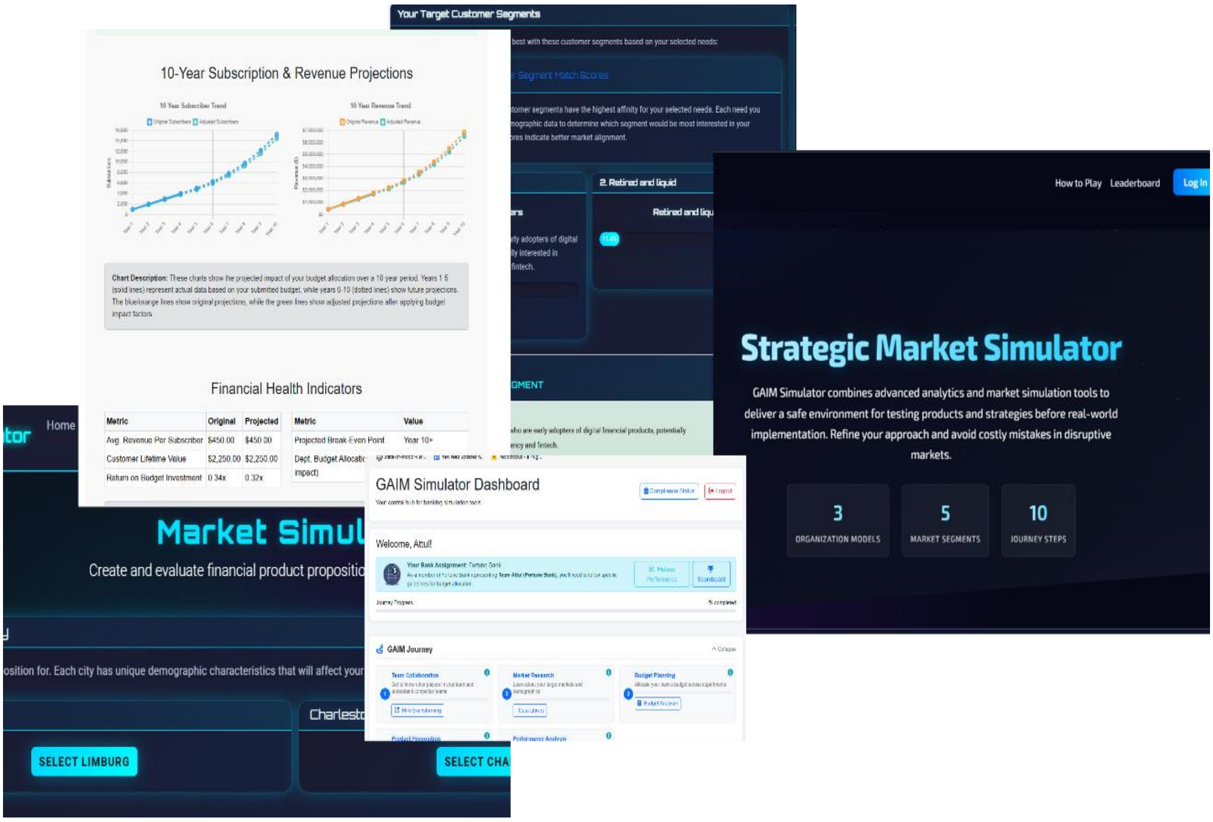
Figure 3: AI Driven Services (with Traditional Bank Examples of Rollout)



Source: Internal Research

The rise of no-code tools and agentic AI has unleashed a wave of digital solutions to fast-track transformation. Rosa & Roubini and Red Octopus Innovation have analysed the market to identify solutions that optimize financial KPIs for institutions. Figure 3 highlights an emerging service designed to boost traditional banks' performance. The GAIM Simulator™, tested by Rosa & Roubini and Red Octopus Innovation, empowers non-technical teams to use real data in a virtual environment. It enables them to develop and test new propositions safely, navigate market disruptions, understand compliance impacts on P&L, and gain exposure to different no-code tools, cutting costs and time to market. Created by former bankers who recognized the existential challenges facing traditional banks, the platform is now a key component of the digital transformation upskilling suite offered by Rosa & Roubini and Red Octopus Innovation.

Figure 4: GAIM Market Simulator



Source: Red Octopus

7. There are Transformation Blueprints from Traditional Banks

Despite challenges, some traditional banks have scaled effectively, and these banks have blueprints for navigating the disruptive environment for all banks:

- **DBS Bank (Singapore)**: Since 2014, DBS's "Make Banking Joyful" vision, backed by re-architected systems and a startup-like culture, has won it multiple 2024 Global Finance awards, including "World's Best Mobile Banking App."
- **Liv by Emirates NBD (UAE)**: Launched in 2017, Liv targets young professionals with instant account opening, 4% savings interest, and cryptocurrency trading, achieving high adoption through convenience and lifestyle perks.
- **Weyay (Kuwait)**: Launched in 2021 by NBK, Weyay earned Mastercard's "Fastest Growing Digital Bank" title in 2024, with innovative products like the Jeel Card for financial literacy.

8. Balancing Digital Innovation with Banking Resilience – A Note of Caution

Bank failures are often triggered by sudden, large-scale withdrawals that lead to liquidity crises—pressures that are often exacerbated by economic downturns, poor risk management, or sharp interest rate shifts. Today's digital landscape, with mobile apps, instant payments, and social media, accelerates these dynamics by enabling faster withdrawals and the viral spread of rumours. As a result, a liquidity issue can rapidly escalate into a full-blown crisis, outpacing the slower, more traditional responses of legacy banking systems.

While fintechs and neobanks continue to erode market share from incumbents, the broader adoption of digital technologies introduces systemic vulnerabilities if not carefully managed. Social media, for instance, can amplify a bank's brand—but just as easily magnify fear, eroding customer and investor confidence in real time.

The collapse of Silicon Valley Bank (SVB) underscored this speed: it lost $40 billion in deposits within hours. By contrast, Washington Mutual's 2008 collapse saw $17 billion in withdrawals over nine days. In another case, a single tweet in October 2022 about Credit Suisse being "on the brink" sparked widespread panic, triggering heavy withdrawals and hastening the bank's eventual acquisition by UBS in March 2023.

To mitigate these risks, banks must invest in resilient digital infrastructure, prioritize transparent communication to counter misinformation, and ensure that technology strategies are closely aligned with regulatory expectations and institutional risk profiles. Traditional tech vendors and consultants—often focused on deploying the latest tools—must not overlook integration challenges with legacy systems or the specific stressors banks face under market duress. Without this alignment, even well-intentioned innovation can undermine stability rather than reinforce it.

9. A Five-Step Framework for Reinvention

HSBC's Zing, that collapsed in 2025 with only 30,000 users, faltered due to a stifling corporate culture that prevented bold innovation, producing a constrained app unable to rival neo-banks' dynamic, user-centric updates. Branded as a lacklustre 'me-too' product, Zing failed to advance the digital customer experience, lacking differentiation from HSBC's core UX. The Zing team hampered by the HSBC umbrella was competing with a different internal mindset – this is needed to be addressed through better upskilling of the wider company to get better buy in. For the app itself, implementing regular customer surveys could have uncovered user pain points, enabling iterative enhancements to align with Revolut's seamless UX. Rigorous post-launch reviews might have highlighted Zing's redundancy, prompting strategic pivots—such as targeting niche markets like expatriates—to drive engagement and avert its costly demise.

To bridge the innovation gap, traditional banks must adopt a structured approach:

1. **Reimagine Banking**: Reimagining banking requires traditional banks to redefine their identity beyond physical branches and legacy processes, envisioning a digital-first, customer-centric model. This involves leveraging AI and data analytics to streamline operations, personalize offerings, and anticipate customer needs. Banks must shift from product-centric to experience-driven strategies, focusing on seamless integration across channels (e.g., mobile, web, voice).

2. **Embed UX in Organizational DNA**: Embedding UX requires integrating user-centric design into the bank's culture, processes, and strategy, moving beyond superficial measures like hiring UX specialists. According to the Nielsen Norman Group, neo-banks operate at UX maturity level 6 (fully integrated), while traditional banks often stall at level 4 (managed but not strategic). Banks must adopt a holistic approach, training all employees—from executives to frontline staff—in UX principles and using customer journey mapping to eliminate friction points (e.g., lengthy loan approvals).

[Continues at Page 11]

Figure 5: Actionable Strategies for Re-Invention

Re - Invention Step	Actionable Strategies	Metrics For Success
ReImagine Banking	Conduct a strategic audit to identify legacy processes (e.g., manual KYC checks) that can be automated with AI.	30% reduction in operational costs within 12 months.
	Use predictive analytics to model customer behavior, enabling proactive offerings (e.g., tailored loan products).	25% increase in digital channel usage within 6 months.
	Establish a cross-functional "transformation task force" to align departments around the digital vision. Eg. DBS 'Make Banking Joyful'	Employee engagement score above 75% post-vision launch
	Set KPIs, such as Net Promoter Score (NPS) improvement or digital channel adoption rates, to track progress.	
	Communicate the vision through town halls and internal campaigns, emphasizing employee roles in the new model.	
Embed UX in Organizational DNA	Train all employees in UX fundamentals, using workshops on empathy mapping and prototyping.	Achieve UX maturity level 5 (integrated) within 18 months.
	Implement customer journey analytics to identify pain points, targeting a 20% reduction in drop-off rates.	40% improvement in customer satisfaction scores within 12 months.
	Create cross-functional UX labs to test features with real users before launch.	50% reduction in customer complaint resolution time within 6 months.
	Allocate 10–15% of the tech budget to UX-driven projects, such as AI chatbots or simplified onboarding	
Democratise Digital	Deploy no-code platforms like GAIM SimulatorTM to enable staff to design and test new products.	50% of new product ideas sourced from non-technical staff within 12 months.
	Launch a "Digital Academy" to train 80% of employees in no-code tools and AI basics within 12 months.	30% reduction in development time for digital features within 9 months.
	Create an innovation sandbox where staff can experiment with real-time data in a safe environment.	100% employee participation in digital upskilling programs within 18 months
	Use AI-driven analytics to evaluate the ROI of digital initiatives, prioritizing those with high customer impact.	
	Reward employee-led innovations through recognition programs or bonuses tied to successful pilots.	
Orchestrate Transitions	Develop a 24-month transition roadmap, prioritizing customer-facing digital upgrades (e.g., app UX, AI chatbots).	80% of prioritized digital projects launched on schedule within 12 months.
	Establish a PMO to coordinate departments, track progress, and resolve bottlenecks.	25% reduction in legacy system costs within 18 months.
	Phase out legacy systems (e.g., mainframe-based KYC) in 20% increments annually, replacing them with cloud-based solutions.	Zero major compliance violations during transition phases.
	Conduct quarterly risk assessments to ensure compliance and customer trust during transitions.	
Iterate Relentlessly	Implement real-time analytics dashboards to monitor KPIs like daily active users and churn rates.	15% increase in feature engagement within 6 months of launch.
	Conduct A/B testing for new features, targeting a 10% uplift in engagement per iteration.	90% customer feedback response rate within 12 months.
	Collect customer feedback through in-app surveys and X post analysis, responding to 90% of issues within 48 hours.	5–7 iterations per major feature within 18 months
	Hold monthly post-launch reviews to identify underperforming features and plan updates.	
	Foster a test-and-learn culture by celebrating iterative successes, such as feature adoption spikes.	

Source: Authors' table

3. **Democratize Digital**: Democratizing digital means empowering non-technical staff to contribute to innovation, reducing reliance on IT departments and accelerating time-to-market. Tools like no-code platforms and agentic AI, such as the GAIM Simulator, allow employees to prototype solutions, simulate market scenarios, and test compliance impacts without coding expertise. This step fosters a culture of experimentation, enabling banks to match neo-banks' rapid iteration cycles. Upskilling programs, paired with data-driven decision frameworks (e.g., build vs. buy analyses), ensure scalability. Banks must also integrate digital tools into daily workflows, making innovation accessible to all levels.

4. **Orchestrate Transitions**: Orchestrating transitions involves sequencing digital initiatives to balance urgency with organizational capacity, avoiding the overwhelm that derails transformation. Banks must prioritize high-impact projects (e.g., mobile app upgrades over back-office systems) while phasing out legacy processes incrementally. A transition roadmap, spanning 12–24 months, should align with customer expectations and regulatory timelines.

5. **Iterate Relentlessly**: Relentless iteration requires banks to monitor digital offerings in real time, using customer KPIs (e.g., retention, transaction frequency) to assess performance and refine features. This mirrors neo-banks' test-and-learn approach, which drives rapid improvements. Banks must deploy analytics dashboards to track metrics like app engagement or feature usage, enabling data-driven tweaks. Customer feedback, gathered via surveys or social media sentiment analysis, informs iterations. A culture of continuous improvement, supported by post-launch reviews and A/B testing, ensures offerings stay competitive. This step prevents the stagnation seen in failed ventures like NatWest's Bó.

Conclusion

The banking sector in 2025 is a battleground of innovation, where neo-banks' agility threatens traditional institutions' dominance. Failures like HSBC's Zing and NatWest's Bó reveal the perils of misaligned digital strategies, while successes like DBS and Weyay demonstrate the rewards of customer-centric transformation. The brand strength of the large incumbents give some confidence that they will learn and weather the storm. The smaller banks who do not know how they should proceed face a very uncertain future.

As AI and digital technologies redefine customer expectations, all banks face a stark choice: evolve or die. By adopting the proposed five-step framework—reimagining their identity, bring UX to the DNA, redefining digital as non-technical, planning transitions, and iterating relentlessly—traditional banks can close the innovation gap, helping them compete more effectively both in their core businesses and in rapidly emerging areas such as stablecoins. The stakes are existential: in a world where 76% of consumers are ready to switch for better digital experiences, complacency is not an option. Traditional banks must embrace neo-bank agility, leveraging AI and customer-centricity to secure their future in a digital-first era[1].

Bibliography

[1] For a deeper dive into navigating this disruption, see Demystifying Digital Transformation – Tools to Thrive in the Digital Age by Attul Sehgal, (Springer 2024, ISBN: 148429498X) a comprehensive guide to surviving in the digital-first era.