

A Work Project, presented as part of the requirements for the Award of a Master's degree in
Management from the Nova School of Business and Economics.

ACTIVOBANK – B2B2C BUSINESS MODEL INNOVATION OPPORTUNITIES

From Problem to Solution with a Design Thinking Approach

PEDRO CHORÃO

Work project carried out under the supervision of:

Paulo Faroleiro

30/01/2024

Abstract

This thesis represents the culmination of a project-based learning experience addressing ActivoBank's challenge to create a new business model within a B2B2C ecosystem. With a customer-centric approach, the team tackled the housing crisis, devising an innovative solution enabling young couples like João and Maria to purchase their first home. ActivoBank's Early Homeowners program allows individuals to secure housing options during the planning stage with low entry barriers, ensuring financial predictability and security. Early validation studies show positive customer interest and perceived value, highlighting the potential for transformative impact in the housing market.

Keywords

B2B2C Model, Banking, Housing, Customer Centric

This work used infrastructure and resources funded by Fundação Calouste Gulbenkian (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

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1. Introduction

In today's digitally driven world, consumer banking preferences are rapidly evolving. The need for convenience, accessibility, and personalization in banking is more pronounced than ever, marking a shift from traditional banking to digital solutions. This change poses a challenge for ActivoBank, a digital branch of Millennium Bcp, which seeks to transition from a secondary or savings account provider to becoming the primary banking choice for its users.

This thesis aims to explore and develop an innovative business model for ActivoBank that responds to these changing market dynamics. The central question is: How can ActivoBank transform its business model to become the main banking choice for its users? This inquiry delves into the realm of digital banking and customer engagement strategies, seeking to understand and capitalize on the factors that drive consumer banking choices in the digital era.

At the core of this research is the debate between maintaining traditional banking values and adopting innovative, user-centric approaches. By providing a comprehensive overview of digital banking trends and conducting a detailed analysis of ActivoBank's current market position, this thesis aims to uncover the key elements that can elevate ActivoBank to a primary banking institution.

The research begins with a theoretical examination of digital banking models and customer engagement strategies. It then progresses to a focused analysis of ActivoBank, exploring how it can strengthen its market presence and reputation. The study not only looks at ActivoBank's internal mechanisms but also considers the broader banking ecosystem's influence on its transformation.

By bridging theory with practical solution, this research aims to offer actionable insights and a strategic framework that can guide ActivoBank in becoming a leading digital bank, revered not just for its financial services but for its role in shaping the future of digital banking and customer experience.

2. Project Overview

2.1 Project Context

At the breaking point of a digital revolution, the banking industry faces a variety of unforeseen difficulties but at the same time also new opportunities. Key trends shaping the current banking landscape include the rise of fintech, the expectation for frictionless user experiences, and the pervasive integration of technology in financial services. Such trends compel institutions like ActivoBank to continuously innovate to sustain their market position. Founded in the early 2010s with the ambition to lead Portugal's "smart banking" sector, ActivoBank offered no-fee services, flexible branch timings, and immediate card issuance, distinguishing itself as an innovator before the fintech surge.

However, the explosion of fintech has significantly altered the market dynamics. ActivoBank finds itself in an environment where innovation is not just a one-time endeavor but a continuous pursuit. To maintain its edge, ActivoBank aspires to transcend traditional banking channels and integrate itself into the on-the-go lifestyles of its clients, exploring partnerships beyond the obvious sectors to add value both to customers and the bank itself.

The bank recognizes the need to redefine its value proposition and service delivery. The strengths that once set ActivoBank apart are no longer as clear-cut in a market full of disruptive players. The transition from being a third-party commercial partner to a B2B2C finance and tech enabler marks the bank's new trajectory. The challenge lies in moving from conceptual ideas to actionable solutions that can generate tangible benefits for the bank.

2.2 Project Governance

Project governance is pivotal to the success of any initiative, particularly one as innovative as the development of a new business model for ActivoBank. The project team was a dynamic coalition of expertise and experience. Pedro Chorão, with a Master's in Management with a

strategy stream, added value to the team with his experience in several design thinking competitions and innovation-related courses organized by NOVA. In addition, due to his Portuguese roots, Pedro had the responsibility to be the main point of contact with ActivoBank and facilitated the understanding of the local culture and market. Milena Fuda, with her expertise in strategy and a keen insight into marketing and communication, provided an offering a well-rounded and effective approach to its marketing strategy. Shashwat Sahani, with his background in computer science and product development, provided critical technical and methodological expertise, particularly relevant to our digital banking focus and strategy.

The team was complemented by the insights of ActivoBank representatives, including Tiago Freitas, Digital Services and Sales Director; Diogo Cruz, Director of Digital Marketing; Joana Rodrigues, User Experience and Digital Impact Manager; António Fontes, Head of Digital Transformation and Innovation. Their contributions were crucial in ensuring the project's alignment with ActivoBank's strategic objectives and operational capabilities.

Under the guidance of advisor Paulo Faroleiro, a seasoned professional with extensive Board Member, Executive Management, and Director experience, the project was steered with a focus on Governance, Business Strategy, Digital Transformation, and Innovation. His rich background in IT Management across diverse sectors, along with his acumen in Governance of Enterprise IT and IT Management, provided the team with a robust foundation for managing the project effectively.

The organizational chart reflected a well-integrated structure, with the three student team members, advisor Professor Paulo Faroleiro, and the aforementioned ActivoBank members forming the project's core governance body. This structure facilitated a multifaceted approach to stakeholder engagement, encompassing ActivoBank customers, executives, and the wider community, each with vested interests in the project's outcomes.

Communication and information flow were meticulously managed through weekly online meetings, supplemented by periodic in-person sessions to brainstorm, present ideas, and engage in critical discussions with immediate, actionable feedback. These interactions were vital for maintaining momentum and alignment with ActivoBank's vision. Additionally, feedback incorporation was methodically overseen by the advisor, ensuring that each iteration of the project was informed by a blend of academic rigor and practical relevance, with weekly online meetings serving as checkpoints for project alignment and progress.

This governance framework laid the groundwork for a project environment characterized by strategic foresight, collaborative innovation, and a constant commitment to delivering a transformative business model for ActivoBank.

2.3 Project Challenge

Navigating the theoretical underpinnings of ActivoBank's project, such subject of matter presents a multifaceted challenge that demands a suitable academic approach. The framework of our investigation is based on the fundamental concepts of design thinking, business model innovation and strategic market positioning. These concepts provide a foundation for dealing with the complexities of evolving banking ecosystems and the strategies for innovating and coming up with ideas that innovate and disrupt the market creating demand from which ActivoBank can benefit.

On the practical front, ActivoBank recognizes the need to innovate and stand out in the competitive digital banking landscape. The challenge extends beyond merely keeping pace; it's about pioneering change and setting industry benchmarks. The bank's ambition to transform from a holder of secondary accounts to the primary banking choice for its users underlines this challenge. Previous rewards and techniques for keeping customers have already been tested and resulted in a lack against young, tech-savvy customers who know how to work the system to

their advantage. Previous customer acquisition strategies, like offering free cinema tickets in exchange of account openings, didn't foster lasting engagement; customers often abandoned these accounts after gaining the initial benefits. In contrast, successful B2B partnerships, like the electric car initiative, showed potential for long-term customer relationships. The project challenge, therefore, is to identify partnerships like this one and strategies that not only attract customers but also build sustainable, long-term relationships, ensuring ActivoBank's growth and stability in the market.

Additionally, ActivoBank's conservative yet proactive strategy leads to the need to generate a product with specific requirements. The first is that it should be positioned in the domains of credit, loans, or subscription plans, as of now they resulted in being the most promising and potential financial products offered by AB to the public. Secondly, should adhere to a low-risk impact premise, providing ActivoBank with the possibility to try out and implement the project without running any risks or too high damages in case of frictions or failure. The integration of the product into daily banking habits is central to this strategy, which positions ActivoBank as the primary account choice for users. Furthermore, ActivoBank's function as an intermediary in the B2B2C model is critical, showing its power and potential to effectively bridge business and consumer needs. This method emphasizes a professional culture that is both realistic and forward-thinking, which resonates with the thesis's broader objectives.

ActivoBank's necessity to reconceptualize its value proposition is clear. It requires more than incremental adjustments; it demands an upper-level approach that speaks directly to the unique needs and aspirations of the target market. Understanding that young customers seek not just financial services but a partner in their financial growth journey. The bank must craft a strategy that offers a solution to the pain points of these consumers, leveraging the academic research and findings that underpin customer engagement and retention in the digital age.

2.4 Project Scope & Goals

The project's scope centers on fostering innovation within ActivoBank, with a sharp focus on serving the evolving needs of young adults facing a turbulent economic climate. It leverages design thinking to craft a distinctive, actionable business model, while explicitly excluding the execution of said model and enhancements to the user experience—areas where the bank is already well-established.

Goals are refined to:

1. **Innovate Financial Solutions:** Create a business model that provides young adults with innovative tools for financial success and growth, such as flexible saving schemes or investment options tailored to facilitate fundamental life milestones.
2. **Community Engagement:** Strategically engage with young professionals and community stakeholders, harnessing their insights and needs to shape solutions from which the entire surrounding community can benefit from.
3. **Strategic Positioning:** Develop a competitive strategy that identifies and capitalizes on untapped market opportunities, potentially through partnerships or new technology applications, to solidify ActivoBank's role as a market leader.

These goals are designed to culminate in a robust strategy that positions ActivoBank as a pioneer in the digital banking space, ready to attract and retain the next generation of banking customers through innovation and community-focused financial services. The thoroughness of the project aims to ensure that the resulting business model is not only theoretically sound but also primed for practical adoption and future implementation.

Instead, in terms of deliverables, initially, the project was set to include two B2B2C idea proposals, each accompanied by its respective business model, followed by a comparative analysis to select the final choice. However, as the project evolved, a single idea emerged as a

clear pioneer, resonating strongly with ActivoBank's vision. Consequently, the project's focus shifted to developing a comprehensive business model centered around this leading idea. This pivot also included the creation of a detailed marketing plan and a validation of the solution, ensuring its feasibility and alignment with ActivoBank's strategic goals and market positioning.

Limitations need to be addressed too. Key among these is the scope restriction to ideation and strategy formulation without diving into practical implementation, which may hinder the immediate realization of the proposed model's impact. Additionally, the focus on young adults, while strategic, limits the model's initial applicability to a broader demographic. The dynamic nature of the digital banking market also presents a challenge, as rapid technological advancements and shifting consumer behaviors could render some strategies less effective over time. These limitations necessitate a flexible, adaptable approach to developing ActivoBank's business model.

3. Methodology

This section will address the methodology employed in conducting the research and innovation processes through the three key phases: diagnosis, design thinking, and development. Afterwards, a short literature review about each individual part will be presented.

3.1 Project Calendar & General Methodology

The project with AB took approximately 3 months and followed an iterative approach, between mid-September 2023 and the beginning of December 2023. Because the goals changed during phase 2 of the project (instead of two business models and comparisons, only one but more in-depth), the project calendar and the methodology used onwards were adjusted accordingly. Nevertheless, the work structure can be subdivided into three phases:

1. Diagnosis – 3 Weeks, until the Kick-Off Meeting with ActivoBank.
2. Design Thinking – 3 Weeks to dig deep into the problem and close on an idea

that the team and AB felt confident based on the case presented.

3. Development – 5 Weeks to build a business model around the key idea and the respective marketing plan to successfully reach the consumer.

Phase 1 – Diagnosis: The purpose of the initial period was, on the one hand, to understand ActivoBank's external environment in terms of the banking industry in Portugal, and, on the other, to get a full picture of ActivoBank as a company and its internal capabilities. As such the methodologies used were based on the most important strategy-related frameworks to perform external and internal analysis and conclude on potential opportunities and threats. The key goal of this period was for the team to go to the first meeting with ActivoBank's team with a solid understanding of ActivoBank's activities, competitors, and its environment.

Phase 2 – Design Thinking: After the Kick-Off meeting with AB, the team started phase 2 which end goal was to design creative ideas that have the potential to be impactful to AB and its clients, whilst meeting the project scope. Due to the experiences doing corporate innovation at NOVA, the team decided that the design thinking methodology with a customer-centric approach was the best mindset to create innovative and meaningful ideas outside of industry trends and that ActivoBank's people had not yet considered. With the project scope in mind, the team applied the first three stages of the DT framework comprised of 1- Empathize, 2- Define, 3 – Ideate, 4 – Prototype, and 5 – Test (Stanford 2018).

Phase 3 – Development: In the final period of the project the team focused on developing the solution, the structure, and the marketing strategy around the accepted idea by AB. Firstly, the team decided to elaborate on the solution following the lean canvas created by Ash Maurya (Blank 2013) due to the innovative nature of the solution and the goal to have a bigger emphasis on finding customer problems worth solving (Business Model Competition 2018). With this methodology, the team expanded on the problem solution fit from a customer centric perspective, which is recommended for innovation projects in early stages, and tested its

hypothesis for a solution validation. Afterwards, the team matured the business model using the Business Model Canvas by Alexander Osterwalder (Mullen 2016) blocks with a more company centered perspective. After reinsuring that the solution was feasible and beneficial for the bank and the partners, the team developed the marketing strategy expanding on customer segmentation, the marketing funnel principles and digital marketing strategies.

3.2 Phase 1: Diagnosis

The goal of the first stage of the project was to perform a brief analysis of the current situation of AB and its environment so that the team could be better prepared to make proper strategic innovative recommendations on new revenue streams for ActivoBank.

The diagnosis phase was subdivided into three groups, the internal analysis, and the external analysis, which would support a final SWOT analysis. Both internal and external analyses were performed with management tools and frameworks as a methodology.

Internal analysis

The strategic management methodologies used for the internal analysis were the VRIO framework and the Value Chain Analysis. On the one hand, the VRIO framework is useful to analyze and determine the degree of competitive advantage of a firm's resources and capabilities. As such, if an ActivoBank's resource is Valuable, Rare, Costly to Imitate, the Organization is capable of exploiting it effectively, it is possible to conclude that its specific resource in question brings a high level of competitive advantage to AB. On the other hand, the Value Chain Analysis is a more systematic approach to understand both the primary and the secondary activities of a company, in this case, a digital bank.

External analysis

For the external analysis, the methodologies used were Porter's Five Forces and the PESTEL analysis. Firstly, Porter's Five Forces helps understanding the level of industry attractiveness

by analyzing the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of new substitutes, and the rivalry of competitors. Then, the PESTEL framework is an essential management tool to understand the external environment and context that a company operates in, which will help identify potential risks and opportunities. The framework is composed of political, economic factors, social technological, environmental, and legal factors. Finally, to complement the previous methodologies, a brief competitive analysis was performed to complete the external analysis of AB.

SWOT Analysis

Finally, as a result of the internal and external analysis, a SWOT analysis was performed a methodology tool to identify and sum up the key strengths and weaknesses, and the relevant opportunities and threats for the future of the bank.

3.3 Phase 2: Design Thinking

Design Thinking is a human-centered and iterative approach to problem-solving and innovation. This methodology is ideal for this project because with a consumer centric mindset, the team is more likely to create valuable solutions for ActivoBank's target customers in its core, which will follow a subsequent challenge to also bring value to AB and its partners in the B2B2C ecosystem. As mentioned before, only the first three of five key stages of design thinking are part of the project scope: Empathize, Define, and Ideate.

Empathize

Empathy is the foundation of the human-centered design process (Stanford 2018). To empathize the team must understand the key moments of the customer's life, which will help them identify the most meaningful moments where AB can act. The key goal of this stage is to understand the main pains and needs of the target customers.

Define

The defining phase is when the empathy findings are unpacked and synthesized into compelling needs and insights, which will then help scope a specific and meaningful human-centered challenge (Stanford 2018). So, to help define a specific problem to solve for a specific person, a persona is created to help having a consumer centric mindset to problem solving. Then, a HMW (How might we...) question is created to inspire the team and provide focus and frames to the problem. The HMW is an important part of the methodology because it fuels brainstorming and guides innovation efforts. The defining stage is completed when the team creates a persona and a specific HMW challenge for that persona.

Ideate

Ideate is the stage during the design thinking process which is focused on idea generation (Stanford 2018). The goal of ideation is to transition from identifying problems into exploring solutions for ActivoBank's users, meaning, the key objective is to find possible answers to the HMW question. As criteria, ideally the best solutions are a step beyond the obvious answers.

3.4 Phase 3: Development

Solution Development

The lean canvas, as an adaptation of the business model canvas is better adjusted for innovative solutions that require a deeper understanding of the problem and solution fit. Based on the visual blocks of the framework, the team focused on analyzing the problem and existent alternatives, created a unique value proposition with mission statement, a detailed explanation of the solution with a practical example, compared the product with the alternatives, and closed the value proposition with a high-level concept. Then, to continue the lean canvas, the team described the customer segments and the unfair advantage that AB leverages. Moreover, to finalize the customer centric solution development, a validation was performed using a methodology which started from stablishing clear goals, formulating hypothesis, designing the tests, running the

questionnaires, analyzing the results, and finally drawing the conclusions.

Business Model

After ensuring problem solution fit with the lean canvas completed, the team further developed the idea using the traditional business model canvas, due to the specific focus on the important blocks that were still unaddressed, and to complete the solution from the banks' perspective and to ensure impact and feasibility. As such, the team expanded on the key revenue's streams, the partnerships, the resources and the channels. It is important to note that from all blocks of the business model canvas, due to the nature of the challenge related to a B2B2C ecosystem, the theme around the partnerships was deeply studied to find the ideal partners for ActivoBank.

Marketing Strategy

In terms of methodology used for the marketing strategy, the marketing funnel was key to understand the customer journey and the key challenges needed to be addressed to increase conversion ratios in the marketing funnel. As such, in through a deeper understanding of the journey between the awareness stage, to the interest, the consideration, the intent, the purchase and the loyalty and advocacy stages, the team was able to propose a marketing strategy aligned with the customer segments, and the product and brand positioning.

3.5 Literature Review

Literature Review for Design Thinking

Design thinking is just an approach to innovation (Brown 2008), which is useful for problems that have people at heart. In order to find the best ideas and ultimate solutions, it is required a human-centered, creative, iterative and practical approach, such as design thinking. In terms of guide for a design thinking journey, there are 5 key modes: Empathize, Define, Ideate, Prototype and Test according to Stanford d.school. As stated, it all starts with empathy, which is the foundation of a human-centered design process (Stanford 2018). It is important to note

that “empathy” is perhaps the most important distinction between academic thinking and design thinking. Design thinkers are not trying to generate new knowledge, test a theory, or validate a scientific hypothesis. The mission of design thinking is to translate observations into insights and insights into products and services that will improve lives (Brown 2009).

Moreover, almost every large company understands that it needs to deal with ever-increasing external threats by continually innovating. To ensure their survival and growth, corporations need to keep inventing new business models (Blanck 2013), which is exactly what ActivoBank is trying to do with the challenge presented to the project team: to create a new business model. Furthermore, it is key to note that executing a business model is different from finding one (Blanck 2013), and Lean Canvas is an effective visual tool to find and communicate customer centric solutions (Mullen 2013).

Historically, the Lean Canvas by Ash Maurya is adapted from Alex Osterwalder's Business Model Canvas and optimized for the Lean Startup methodology with a big emphasis on finding customer problems worth solving (BMC Global). Because the Lean Canvas is ideal for early-stage innovation projects (Lean Stack 2023), the team used this framework that prioritizes getting customer-problem-solution foundation in order first.

Literature Review for Business Model

This literature review explores & summarizes the innovative B2B2C business model crafted for ActivoBank, focusing on its integration with real estate and banking. The review analyzes sources ranging from ActivoBank’s own digital presence, historical and current market data, banking trends, and the evolving real estate landscape in Portugal.

ActivoBank's Digital and Customer-Centric Approach

1. ActivoBank’s Digital Strategy ([ActivoBank Digital Future](#)): This source provides insights into ActivoBank’s digital-first approach, emphasizing its commitment to innovation in banking. It highlights how AB has positioned itself for the digital future.

2. Services and Costs ([ActivoBank Account Costs](#)): This source provides information on the costs associated with ActivoBank's services, essential for understanding the bank's value proposition to customers in the context of a B2B2C model.

Neobanking and Market Trends

1. Neobanking Overview ([Forbes Neobank Article](#), [Revolut](#)): These articles provide a comprehensive understanding of the neobanking sector, offering context to ActivoBank's operations within this innovative banking segment.
2. Comparison with Competitors ([Revolut](#)): This is direct comparison with a leading neobank, Revolut, helps position ActivoBank within the broader digital banking landscape.

Real Estate Market in Portugal

1. Property Market Dynamics ([Idealista Portugal Property Market](#)): Provides an overview of the current property market in Portugal, including costs and trends, which is crucial for understanding the environment in which ActivoBank's B2B2C model operates.
2. Construction Industry Insights ([Alves Ribeiro History](#), [Mota-Engil History](#), [Teixeira Duarte History](#)): These sources offer background information on major construction companies in Portugal, potential partners in ActivoBank's real estate endeavours.

Partnership Dynamics and Challenges

1. Banking and Real Estate Synergy ([Housing Construction Delays in Portugal](#)): This article discusses current challenges in the housing construction sector in Portugal, relevant for understanding the potential obstacles in a B2B2C partnership.
2. Digital Banking Evolution ([Millennium BCP and ActivoBank Digital Account](#)): This examines the evolution of digital banking in Portugal, providing context to ActivoBank's digital initiatives and customer engagement strategies.

Conclusion for review

The literature collectively portrays AB as a dynamic player in the evolving landscape of banking. This helps in understanding the intricate balance between digital banking trends, customer-centric strategies, and the realities of the real estate market in Portugal. Through this, the business model emerges as a forward-looking example of how banking can evolve to meet modern challenges and opportunities in the digital age.

Literature Review for Marketing Strategy

The formulation of the marketing strategy was drawn upon a range of established marketing theories and practices, as detailed in various seminal works in the field of marketing.

A key framework utilized was the STP process - Segmentation, Targeting, and Positioning, a concept widely recognized in marketing literature. This approach was first detailed in "Market Segmentation: A Framework for Determining the Right Target Customers" by Philip Kotler and Kevin Lane Keller in their influential work, "Marketing Management" (15th Edition, 2016). Secondly, the approaches of Value segmentation and Psychographic Segmentation were used as a base to define the customer segments. Value Segmentation focuses on identifying the most lucrative customer groups, channelling marketing efforts and budgets towards these high-value targets. In contrast, Psychographic Segmentation, which groups customers based on personal attributes like hobbies and beliefs, enables deeper brand-customer connections.

Another cornerstone of our strategy is the concept of the marketing funnel, introduced by E. St. Elmo Lewis in his 1898 work, "The Art of Advertising." Lewis's AIDA model (Awareness, Interest, Desire, Action) has evolved to include additional stages like Evaluation, Trial, and Loyalty, which were integral in our analysis. The expanded model provides a comprehensive view of the customer journey, from initial awareness to long-term loyalty, and is a widely acknowledged framework in marketing strategy and research.

Furthermore, digital marketing tools such as Email Marketing, Pay-Per-Click Advertising (PPC), Web Analytics, Customer Relationship Management (CRM), and Search Engine Optimization (SEO) were pivotal in the discussion of the details of the digital aspect of our marketing strategy. These tools are discussed in depth By Simon Kingsnorth in “Digital Marketing Strategy: An Integrated Approach to Online Marketing”, which provides a practical guide to digital marketing tactics and their application in modern business scenarios.

4. Introduction to Analysis

4.1 Purpose of Analysis

The purpose of this analysis is to do a brief and strategic assessment of the Banking industry, with the focus on ActivoBank (thereby referred as AB in some places). The analysis is divided into multiple analytical frameworks, each of which performs a specific role. VRIO, PESTEL, PORTER, SWOT etc. are included to help in forming the overall picture of the opportunities and difficulties in the industry.

4.2 Internal Analysis

The internal analysis consists of two main components – VRIO Framework, Value-chain analysis.

VRIO Framework

With the help of VRIO, we emphasize the unique resources and capabilities that AB has and understand if they can be a source of a sustained competitive advantage for the company. In the following paragraph, we understand the 4 components of VRIO -

1. Value

No Fees for Account Maintenance: Unlike many banks in Portugal, AB does not charge fees for account maintenance, ensuring a benefit of cost-saving for young customers (ActivoBank,

2023).

Digital Transformation and Innovation: AB has always been on the forefront of digital transformation, dating back to its inception as Banco7, Portugal's first phone bank. It also pioneered the transactional website in 2000, and mobile banking app in 2010 in Portugal. In 2019, the bank redesigned its app to cater to its client's needs in a better way (Wikipedia, Activo Bank, 2023).

Broad Range of Services: AB offers a wide array of financial products apart from general bank services such as stock trading, investment funds, and ETFs which are getting popular among youth as a way to build wealth (ActivoBank Invest, 2023).

2. Rarity

Unique Partnerships & a curated portfolio of products: In the world of digital banking, AB focuses on meaningful and unique partnerships. The collaboration with TransferWise for improved international payments is an example of one of a rare collaboration that distinguishes AB from competitors from a list (ActivoBank Wise, 2023). ActivoBank's focus on digital banking with a portfolio of curated products and strong online presence to make mobile banking innovative is a distinctive feature in the Portuguese banking sector. Customers can even open an online account without visiting the branch.

Phygital Model: AB focuses on a Phygital model, as part of which it has 16 branches located in major shopping malls where they get the most footfall, instead of opening a branch in every corner like traditional banks.

Fee Structure: The no-fee structure for account maintenance is a rarity and provides a competitive edge in the market, especially to attract young customers who may not have all the resources to operate a bank account in a traditional bank.

3. Imitability:

Digital platforms and innovation: The digital approach, although valuable, is imitable as

many banks are moving towards digitalization, one way or another.

Partnerships & No fee structure: Both the partnerships and No fee structure, may be hard to achieve but are still potentially imitable. It may require substantial negotiation and agreements, but at the end of the day still possible.

4. Organization

Responsive Infrastructure and Online Strategy: AB showed resilience and adaptability during the pandemic by transitioning to remote work and reorganizing its call center operations to meet increased demand, showcasing a strong organizational capacity. Additionally, ActivoBank's online strategy and the pursuit of digitalization is second to none.

Growth Trajectory & Sustainable practices: The bank has achieved a substantial growth, moving from a transactional customer base to a "first bank" customer base. In a report by World Finance, AB has a customer base of 3,00,000+ with \$ 2bn worth of assets (World Finance, 2023). AB is also focusing towards becoming a paperless bank to accommodate sustainable practices. One of the core examples of this approach is giving the facility of opening a bank account online.

Value chain analysis

With the help of value chain analysis, we try to understand the primary and support activities of the AB bank and identify which of them creates value and the rest which can be improved.

Primary Activities

1. Inbound Logistics

Technological Infrastructure Procurement: Acquiring, maintaining, and upgrading the necessary technological infrastructure to support the continuous transformation of digital banking services.

Partnership Formations: Establishing strategic partnerships with fintech companies to

improve service offerings and enhancing the products offers catered to the young people.

2. Operations

Digital Platform Management: Ensuring a reliable, secure, and user-friendly digital platform for all banking activities and offering products through digital mediums like websites, mobile apps, social media etc.

Product & Service Development: Development and management of a diverse portfolio of financial products including loans, insurance, savings accounts, and investment products to cater to a young crowd.

3. Outbound Logistics:

Service Delivery & Global Transactions: Maintaining a seamless delivery of financial services through digital platform, ensuring a high level of customer satisfaction, and facilitating global transactions through integrations with partners like Wise, to enhance global position.

4. Marketing and Sales:

Digital Marketing and Phygital model: Utilizing online marketing channels, digital analytics, and social media to attract young customers. Additionally, increasing physical branches located in shopping malls to create visibility, trust, and support for customers.

5. Services:

Customer Support: Customer support has been one of the most daunting aspects of banking. Ensure comprehensive customer support through call centers, chat, and AI-powered bots to address customer queries and issues promptly and continuous availability of services to meet customer demands at peak times.

Support Activities:

1. Firm Infrastructure

Strategic Backing: Gaining increased strategic and financial backing from Millennium BCP, which adds to the bank's stability and capacity for innovation.

Digital Transformation Initiatives: Continuous investment in digital transformation to stay ahead in the competitive digital banking landscape.

2. Human Resource Management

Staff Training & Remote Work Adaptability: Conducting extensive training for staff to assist customers in adapting to digital tools and platforms especially for the new customers. Since AB doesn't follow the traditional bank approach, adapting operations to support remote work and ensuring continued service delivery during challenging times.

3. Technology Development

Digital Innovation: Constant innovation through redesigning apps, launching new digital services, and utilizing customer feedback for continuous improvement.

4. Procurement

Technology Procurement: Procuring necessary digital technologies, platforms, and tools to support ongoing operations and new service development.

4.3 External Analysis

Porter's Five Forces

As part of External analysis with the help of Porter's five forces, we identify and analyze five competitive forces that shape the industry and help determine the weaknesses and strengths.

- 1. Threat of New Entrants (Moderate):** AB faces moderate threat from new entrants. Barriers like regulations, technological needs, economies of scale are essential and especially it is hard to gain trust of users. However, established banks could still revamp the digitalization process, posing a challenge.
- 2. Bargaining Power of Suppliers (Low):** The bank enjoys a low bargaining power of suppliers due to the availability of many service providers, which leads to lower prices and opportunities to leverage services.
- 3. Bargaining Power of Buyers (High):** Customers have high bargaining power, as they

can easily switch banks with competitive rates, low fees, excellent service, and security.

AB must focus on retaining tech-savvy and young customers.

4. **Threat of Substitutes (Low):** There's a moderate threat of substitutes due to the convenience and cost-efficiency of online banking, which challenges traditional banking perceptions, especially among younger customers.
5. **Rivalry of Competitors (High):** AB faces high rivalry with intense competition from not only traditional banks and but fintech companies such as Revolut (Revolut, 2023). Innovation, user experience, and unique financial products are crucial for customer retention. The bank should explore unique credit offerings to attract target customers.

PESTEL

Pestel is another essential component of external analysis to evaluate the external environment in which a business operates. It is useful for understanding market growth or decline, business position, potential, and direction for operations.

1. **Political Factors:** AB operates under moderate political influence, needing to navigate government regulations, especially when traditional banks are still preferred by older generation.
2. **Economic Factors:** The bank's profitability is influenced by the Portuguese economy, including inflation, interest rates, and GDP growth. Consumer income levels also significantly impact the demand for banking services.
3. **Social Factors:** AB must stay on track to meet consumer preferences for digital banking and align its products with demographic trends, such as an aging population's retirement needs and a younger demographic's demand for digital services, parenthood etc
4. **Technological Factors:** AB has a good track record in digital transformation. Keeping the same pace with technological advancements and fintech disruptions is critical. The bank needs to continually update its online and mobile banking services to stay

competitive.

5. **Environmental Factors:** AB is on a right track to reduce wastage by evolving digital banking. Sustainability practices are becoming important, and AB should abide by them.
6. **Legal Factors:** Compliance with banking laws, anti-money laundering regulations, GDPR, and consumer protection laws is crucial for ActivoBank's operations and reputation.

Competitive Landscape

As a bank which is focused much on the digital aspect and young customers, it's crucial to understand that the competitive landscape extends beyond traditional banking rivals to include neo banks (Forbes Advisor, 2023)ide like Revolut and wallet services such as PayPal, Wise etc. These competitors are redefining banking norms with their digital-first approaches, offering ease of use, innovative features, and often zero to negligible fees. They appeal to a tech-savvy, younger demographic and are quick in adapting to changing consumer preferences. ActivoBank shouldn't only keep pace with these technological and service innovations but also leverage its traditional banking strengths, such as customer trust and a comprehensive range of services, to maintain a competitive edge in this evolving financial ecosystem.

4.4 SWOT Analysis

ActivoBank's focus has been on the customers of futures: aged between 25 – 44. With the help of SWOT analysis, we try to get the overall picture.

1. Strengths:

Digital Expertise: AB has a strong foundation in digital banking, catering to tech-savvy customers who prefer online and mobile services.

Product portfolio, Partnerships and Strong brand: As mentioned before, AB offers a wide

array of financial products ranging from traditional banking to modern-day investment. The bank's strong brand position among youth in Portugal serves as a competitive advantage in attracting and retaining a younger customer base.

2. Weaknesses:

Limited Autonomy: AB is a subsidiary of Millennium. Although AB tries to work independently, lots of decisions are influenced and approved by the parent company.

Preference: Regardless of the modern offering, a good portion of customers still perceive AB as a secondary bank.

3. Opportunities:

Personalization: AB can leverage data analytics to provide highly personalized financial services to attract and retain younger customers.

Financial Education: Financial literacy is still a hard spectrum for people. AB can focus on providing financial literacy resources and tools to younger customers to create a sense of financial well-being, trust and loyalty.

Internationalization: Portugal is becoming more global than ever. AB can leverage the presence of international citizens, immigrants, digital nomads, and expats to help them with financial setup.

4. Threats

Regulatory Changes: Evolving financial regulations, GDPR violations and compliance requirements may create challenges especially in digital aspects.

Cybersecurity Risks: Being on the front lines of digitalization comes with an increase in cyber threats which can lead to data breaches, damaging the bank's reputation.

Tide change: It could be hard but not impossible for traditional banks to catch up the pace of digitalization with even better services and products.

5. Customer Centric Solution Development

5.1 From Problem to Solution with a Design Thinking Approach

After performing analysis with a bank centered perspective, the team shifted to a customer centric mindset to create meaningful solutions for problems worth solving. The design thinking approach has many benefits to create innovative solutions because it ensures that in its core the solutions are valuable to ActivoBank's customers. So, when the ideas in fact solve people's pains and needs, it is all about thinking about how to develop the solution so that it can also be feasible, desirable, and impactful to AB and all other partners within the ecosystem. It is important to keep in mind that the main goal of the project is to find a strong core idea as a foundation for building an innovated business model. Therefore, the project development team was focused on using the design thinking principles as a guide and not as a strict work framework. To support the journey, the team leveraged the Stanford d.school toolkit.

5.1.1. Empathize

Life Journey

Due to the broad perspective relative to the challenge, the empathize stage starts with designing a life journey and identifying which are the most meaningful moments in people's lives that may require credit from banks. The key objective is to be more efficient and specify the scope of the challenge by selecting one stage of the life journey, and further dive into the customer pains and needs related to the specific topic chosen. To be more aligned with ActivoBank's target customer, the studied life journey started at 24 years old and ended at 44 years old.

As such, the first key moment for a young adult is the start of a professional career which is often connected with the opening a new bank account and applying for a first credit card. The second life changing decision would be to leave the parents' house and move into a new home, either by rental or purchase. Once transitioning to homeownership, people potentially need

mortgage credit or to cover initial home-related expenses. The next stage could be investing in further education such as an MBA which could also require financing education costs. Furthermore, among other common steps within young adults' lives, we can find the marriage stage or establishment of long-term relationships which translates into the possibility of opening joint accounts or shared loans to cover common expenses. Also starting a family is another key and shifting moment in people's lives which strongly impacts the parents' financial needs and their planning. When creating or expanding a family, people will face financial challenges such as healthcare expenses (e.g. health check-ups or fertility programs, which are known for being extremely costly), or home construction renovations. Finally, before reaching the age of forty, some people have partially started investing in the formation of a retirement plan.

After carefully analyzing and comparing the different stages of life, the team identified that the purchasing phase of a first home is one of the most meaningful moments in the life of a young adult. A successful implementation of the project around this crucial phase could bring a significant benefit to the bank and society as a whole. In broad terms, the cost of living and housing prices have been rising at higher rates than salaries (Idealista 2023), proving that innovative and creative solutions are deeply needed for people to be able to own a house. Finally, an additional benefit for the bank supporting our motives in tackling the housing crisis is that the solution deals with one of the most lucrative and safe banking products: home mortgages.

Understanding Housing in Portugal

In Portugal, people are struggling to buy homes due to high prices, low wage growth and high initial capital to get a mortgage. The housing market in Portugal has been affected by a much higher demand than supply (Idealista 2023) which has been putting pressure on prices. Consequently, in the last 5 years, there has been on average, a 40% price increase in €/m² (Appendix 1). Moreover, home credits are difficult to get due to a minimum 10%

downpayment, and a maximum age of 75 years old to pay back the loan.

In 2021, Portugal led the European ranking of average age people left the parental household, at 33,6 years old (Martin 2022). For comparison, the European average was 26,5 years old.

5.1.2. Define

The Problem

Based on the key insights from the empathize stage, it is clear that the high pricing of homes is a main influencing factor when young people are attempting to buy their first home. Moreover, due to higher costs of living it is also harder to save money and meet the required 10% downpayment. To better define the problem from a customer centric perspective, the team built a persona that encompasses the key characteristics from typical Portuguese people.

Persona

As part of the exercise, the project persona is a couple: João and Maria. They are both 29 years old, they have high-level university degrees and have been working in Lisbon since they were 24 years old. As a couple, they aspire to build a family together, as such their biggest financial goal is to buy a house that contains enough space for an entire family, and which will ensure their financial security. They have already started saving for this specific goal, currently they have 10K € deposited in a separate savings account, and they expect that saving 30K € more in the next 5 years would be enough to pay for a downpayment of 40K € for a decent house. Their desired home is a T3 Apartment, in Oeiras or Loures, with a maximum price of 400K €.

HMW

The final step of the defining stage is to create the “How Might We...” question such that it can inspire innovative solutions. A HMW question that meets its purpose is neither too broad nor too specific. Taking into account the persona and the problem, the HMW question selected was: “How might we help João and Maria buy their first home?”.

5.1.3. Ideation

As expected, this project methodology does not follow a sequential path, to ensure a successful ideation, the team had to expand its knowledge on the housing market, firstly from the consumer perspective, but as important was to understand the role, responsibilities and benefits of the bank and its partners, for a sustainable B2B2C partnership beneficial for all players.

Nevertheless, the ideation process was still customer centric, and through multiple conversations with individuals and groups the team was able to learn more about the customers' interests and pain points. Interestingly, from these conversations, the team had an inspiring conversation with people that had bought houses twenty years ago, not through the private market, but through the municipality house program.

In this program, in a hypothetical example, the Lisbon Municipality was selling 200 apartments with a minimum price of 200.000€. Then, interested home buyers, would apply for this program, and make an offer to the public entity. Then, after going through background checks, the best 200 offers were allocated to the future homeowners. Most interestingly, the public entities were selling houses that were not yet built, thus, when people were making offers, they were making an offer to buy it once the construction was finished, at a pre-determined price.

This method of selling houses was clearly advantageous to customers because it allowed them to save money not just for any house, but for a specific apartment in their desired location, size and number of rooms. Even more fascinating, through this public program, people were allocated a house before it was built and, most importantly, before buying the house. Homebuyers first paid a reservation fee, and then, only once the house was ready, they went through a traditional buying process with the final price of the house.

The team had found the roots for the innovative idea they were looking for: what if AB created a similar privatized program that was financially viable for all players? What if AB was the key

intermediary between customers and construction owners in a similar housing program? The idea still needed development, but the core had been discovered: create a privatized program that reserves houses to people when not yet constructed and sell later at a pre-determined price.

In terms of answering the HMW question “HMW help João and Maria buy their first home?”, AB could make a huge difference if it implemented a program like this, because it would remove uncertainty from João and Maria’s future planning. This program would be giving them time to save a specific downpayment for their dream family house, which they know is reserved for them once constructed. This could become a significant factor which could allow them to make other important decisions such as having kids in a more stable, less risky, and less stressful environment.

Finally, bridging to the specific challenge from AB to create innovative B2B2C partnerships, the partners are the construction owners, who are responsible for all the construction process and are the single profit owners when selling the apartments, the customers are the homebuyers, and AB is the middle financial intermediary who makes competitive loans to construction owners, receives the money from customers and offers them home credit to buy the house.

5.2 Developing the Solution with Lean Canvas

The new idea to be developed was a construction process similar to a start-up, as such, the team decided to develop the traditional business model canvas later, and first start with the lean canvas (Appendix 2) to better visualize relationship between problem and solution, the existent market alternatives, further expand on the unique value proposition, consider possible customer segments and the unique unfair advantage to protect ActivoBank’s position. The channels, the revenues and the costs were to be developed more in-depth in the next stage.

5.2.1 Problem

The problems identified were related to the uncertainty process when saving for a future house

purchase. Questions related to the types of houses available five years ahead, their location and how much the house prices could increase represent a huge risk and pain point for customers. Moreover, the cost of entry to get a house is extremely high, with a 10% down payment, it can be challenging to plan and save consistently. Other problems which related to parenthood are also connected to the ability to buy the right house with the necessary financial stability.

5.2.2 Existent Alternatives

Currently, in the private market, the major existent solutions to buy a house are essentially two: 1) traditional house buying with a fully built new home, a 10% down payment for the home credit, and no guarantee of which type of apartment the person will be able to buy during the savings period for the down payment; 2) houses in the planning stage, meaning, the project and land the house exist, but the construction has not yet been completed. Usually, when buying in the planning stage, the homebuyers advance the necessary capital for and during construction, whilst taking risks related to delays in construction and other problems that may be typical in the industry. However, compared to traditional homebuying, customers benefit from a higher degree of personalization and lower final price because of risk taken (CGD 2022).

5.2.3 Unique Value Proposition

Mission Statement

The mission of this project is to make homeownership achievable, empower financial security and support parenthood. These are three deeply connected core society and individual challenges that have been aggravating in the last decades.

Value Proposition

For people aspiring to buy their first house, ActivoBank's Early Homeowners program is the way to buy a new house, that is most financially achievable with less risk, because of a guaranteed new home for you with low and progressive investments.

Detailed Solution

Innovative approach to home buying that aims to empower individuals to secure their desired homes with predetermined features while simultaneously saving for the initial downpayment of the house. This groundbreaking concept involves a two-stage decision-making process, offering a strategic solution to the challenges associated with planning and financing the purchase of a home in the current real estate market.

In the first stage, customers secure the option to purchase an apartment in the planning stage, with specific fixed attributes such as location, size, and final price. To apply the customers must make a loan equivalent to 1% of the house price to AB. Note, the only goal of a being loan, and not a deposit, is to allow the bank to legally perform background checks and choose the best customers for the program. After the selection process, people have guaranteed a buying option for a specific house. Then, to keep the purchase rights on the house, people will progressively deposit cashflows that over the construction period, between 3 to 5 years, covers the other 75% of the future downpayment of the house. These deposits work as a house investments account that supports the construction but at the same time is still owned by the individual.

Moving forward to the second stage of decisions, once the house is completed, individuals have the choice to exercise or forego their right to purchase the property, utilizing the previously made deposits to offset the entry cost. This means that no additional payments are required to secure housing credit for the predetermined value of the home. In case the customers forego their option, they have the right to all savings deposits which do not include the banking fees paid in the beginning of the program, equivalent to 1% of the house price. From the bank perspective, this fee covers the costs of operating and implementing the program. At the same time, it works as a cost to customers which incentivizes them to remain loyal to the plan. Finally, if the buying option is not exercised, the house is sold at market price.

Practical Example

Consider a practical scenario where João and Maria desire to acquire a three-bedroom apartment (T3) in Oeiras with a final price of €400,000. The entry cost is €40,000, and the construction duration is 5 years. In 2024, the couple secure the option to purchase the specific apartment in the planning stage with an initial deposit of 10,000€, of which 4,000€ is not refundable to pay for bank services. Until 2029, monthly deposits of 500€ are made over the 5-year construction period to finance the building. In 2029, the completed house is purchased, utilizing the €36,000 in deposits to offset the entry cost. A housing credit of 360,000€ is obtained to cover the remaining amount. From 2029 onwards, homeowners make regular payments to the bank to reduce the housing credit.

Comparison with Existent Alternatives

This new approach redefines the traditional homebuying process, providing individuals with a structured and financially manageable strategy to attain homeownership. The Team's innovative model not only addresses the challenges of contemporary real estate but also empowers individuals to plan for and achieve their homeownership aspirations.

High Level Concept

“Reserve your future house just for you, just by saving. Only with ActivoBanco.”

5.2.4 Customer Segments

The target customers of AB are people between 24 and 44 years old. This initiative is aligned with ActivoBank's target audience, since most people buy their first house during this period (Banco de Portugal 2023). In terms of customer segments, it is possible to highlight two different groups: firstly, young professionals who are starting their careers, live with their parents and have preference to buy house before renting; the second key segment are couples planning for their future and are saving for key milestones like homeownership and family

planning. Both these customer segments are looking for home financing solutions, although it can be stated that young professionals would be looking for smaller houses with lower mortgages than couples desiring to buy a family house.

5.2.5 Unfair Advantage

Firstly, the demand for houses is currently much higher than the supply, as such, selling houses would never be the problem. The unfair advantage for ActivoBanco relies on their digital expertise in reaching the Portuguese young adults' market, the fact that they are part of Millennium BCP, which has an in-house specialized team in construction investment, and, finally, due to their brand recognition, potential partners, municipalities, and customers have higher levels of trust which is hard for competitors to copy.

5.3 Validation

Once the key idea was created, it was important to validate the Portuguese people's behaviors and perceptions related to the house market. As mentioned, the key objectives of the inquiries were to understand the Portuguese market and test the team's hypothesis. More specifically, the team had three goals: 1) to get a broad idea of the customer's interest in owning a house, 2) to validate the problem, and 3) to validate the solution. Script and data in Appendix 3.

More specifically, the team wanted to know the level of interest in owning a house by Portuguese people, whether they defined goals to buy a house, which type of goals they prioritize and if they changed them during the period which they save for the house. Moreover, it was important in terms of mission and purpose to reach out to customers to understand how connected parenthood planning is with owning a house. In addition, it was part of the scope to know if people were knowledgeable about the term house in the "planning stage" and how far they consider it a viable option. As a final topic, the inquiry was intended to test whether people could understand the solution and if they perceived value for themselves or for others.

To extract more value to the validation and bring more insights for each topic, it was performed a sample analysis and an analysis by age groups which would be the foundation of qualitative statements that would be for or against the initial team's hypothesis.

Sample Characteristics

Overall, 111 total individuals answered the forms with 25 questions for problem and solution validation. In terms of age distribution, 16% of answers came from 18 to 23 years old, 53% between 24 and 29 years old, 13% between 30 and 35 years old, 4% between 36 and 41 years old, and 15% over 42 years old. As such, from all age samples, the group between 36 and 41 years old has the least reliability due to its very small sample size. In terms of living conditions, 30% own a house, 18% rent, and 52% live under their parents' roof or similar. For work conditions, 69% have a job contract, and 31% do not. Finally, in terms of whether they have ever done a home credit simulation, 53% answered yes. Interestingly, as key numbers pointing to a potential opportunity for the bank with the 24 to 29 class, 78% already have a job contract, 54% still live with parents and only 48% have done a credit simulation. In contrast, among those over 41 years old, 100% of the sample owns a house and 93% have a job contract.

Intention to Own a House

Hypothesis 1: Most Portuguese want to own or already own a house.

Conclusion 1: Hypothesis confirmed. 75% of the sample want to buy a house in the future, and 20% have already bought it. Only 5% don't have or intend to buy it during their lifetime.

Planning, Goal Definition and Unpredictability

Hypothesis 2: People define and change homeownership goals through time.

Conclusion 2A: Not necessarily. People prioritize house characteristics over total savings, which is subsequently more important than date of purchase, meaning, the more it is prioritized the less people change their goal. In practice, 78% of the sample defined goals for the house

characteristics, 54% have established a financial goal and only 30% a date goal to own a house. Interestingly, data shows that there are similar changes in savings goal as with house characteristics (40% have changed at least once, for both), whereas there is extreme variability in terms of date of purchase with 72% who defined a goal, decided to change it at least once. This means that people are more likely to postpone buying a house than to change their vision of which house they want to live in and its related price.

Conclusion 2B: For age groups, it is noticeable that older people changed their house type goal less than younger generations. Only 30% of people over 41 years old with a house type goal changed it at least once, however, 75% of people between 24 years old and 41 years old with the goal have already changed them at least once. As an interpretation, it is likely that younger people have a harder time reaching their initial purchase goals than the older generations.

Parenthood and House ownership

Hypothesis 3: Not owning a house negatively impacts the decision to have kids.

Conclusion 3: Mostly true. People with family goals are much more likely to have a house goal as well. There is a high positive correlation since, among those that do not want a family, only 53% have a house characteristics goal, 27% have a savings goals, and no one has a date goal, compared to those that desire to have or already have a family, 82% have a house characteristics goal, 59% have a savings goal and 35% have a date goal. In total, 86% of the sample want kids or already have them. Interestingly, only 18% of the sample between 30 and 35 years old already have children. In terms of the relationship between creating a family and house ownership, 59% agreed with the statement that owning a house is a key factor in deciding whether to have children. Finally, 1 in 5 individuals of the sample stated that they were postponing, or they have postponed having children because they had not yet bought a house.

House in the Planning Stage

Hypothesis 4: People are aware and open to buy houses in the planning stage.

Conclusion 4: Inconclusive. It is not known to society the specific term in Portuguese “casa em planta”, as only 52% know the term, 9% think they do, and 31% stated they never heard the term before. However, once explained the term, 66% of the people are or were open to the possibility of buying a house in the planning stage, and 4% bought a house this way or have it as a goal. For marketing purposes, it highlights the challenges related to the awareness stage. It can also be assumed that most people over 29 consider buying in the planning stage, but in the end, benefits are not enough to cover other costs and risks.

Understanding the Idea

Hypothesis 5: Most people can understand the concept of the idea.

Conclusion 5: Most likely yes. Data shows that 91% of the sample believed they understood the core idea. However, 365 words were used in the forms to explain it. To reach the consumer more tests need to be performed to have conclusive learning points.

Perception of Value

Hypothesis 6: Majority of people perceive this solution as better than existent ones.

Conclusion 6: Yes. 63% of people believe the new solution is more financially achievable than other products in the market, and only 9% disagreed with this statement. Then, 56% of people believed it was or it would have been beneficial to them, and 74% were interested in finding more information on this subject. Interesting note, the distrust with banks increases with age.

Validation Conclusion

Conclusive statements require further investigation and additional testing. However, preliminary analysis of the available data suggests promising potential for validating both the existence of a problem and the effectiveness of proposed solutions from the customer perspective. The next challenge in the project is to continue to develop the B2B2C solution, from a bank perspective and its partners.

6. Financial Analysis

Market Size

To determine the market size and possible market penetration of ActivoBank, the TAM, SAM and SOM framework was chosen (Appendix 4). Firstly, in 2022, there were 169K new home credits in Portugal (Banco de Portugal 2023), which correspond to an expectation of the total addressable market, meaning, total market demand. Of all these home credits, 60,10% of them were to people under 40 years old, which means that 102K yearly home credits correspond to ActivoBank's target customers thus being the serviceable addressable market. Finally, the serviceable obtainable market is the realistic market share that ActivoBank could expect to capture after three to five years in the market, which, with a conservative expectation of 2% of SAM, corresponds to 2K new home credits for ActivoBank per year.

For a pilot project, a residential complex with 200 apartments is a proportionate starting point to test the feasibility and develop expertise implementing the project, to further scale in later years.

Cautions

Performing financial projections is extremely hard when the team is not able to determine or have access to sensitive information such as opportunity cost of the bank, average nominal returns on home credits, or average nominal returns on loans to partners. Accurately estimate the net present value of the project is even harder when having into account the real returns of a bank instead of nominal. As such, all the financial projections should come with a great grain of salt and should only be viewed as a broad estimation of key revenues and costs, without considering land discounts from municipalities, tax exemptions, benefits from economies of scale or costs with customer acquisition and other marketing expenses.

Financial Projections

Starting from the construction owner's perspective, the profits come from the revenues when

selling the apartments, and key costs are related to everything related to project development, and the cost of capital due to loans. Financial projections presented in Appendix 5.

In terms of assumptions, a pilot project of 200 apartments will be considered; the selling price per apartment is 400K €; IMT (8%) is approximately 30K € per apartment; then, 4K € are fees to the bank to pay for costs to run the program. With the support of Chat GPT and the supervision of an experienced architect, the team estimated that relative to the final price of the apartment before IMT, 2% were costs with the construction owner representative, 12% costs related to the architecture project, lands, and permits, 65% were construction costs, and 1% fiscal costs. Overall project costs would be around 80% of net sales, which with 10% more used to pay interests on loans from ActivoBank, would mean a profit margin of 10% to the project owner. Under these assumptions, the profit of the pilot project would total 9,7M €. If ActivoBank had a market penetration under SOM, meaning 2K apartments per year, the project owner would profit 97M € per year.

Then, from the bank's perspective, the key profits come from interests on loans to construction partners and interests on home credit, with home credits being ActivoBank's end goal.

In terms of assumptions, the 4K€ in fees per apartment are supposed to cover the customer acquisition costs and all the operating costs related to managing the Early Homeowners program, so that the bank never loses. Considering a 10% profit per loan to construction company, and a 100% nominal profit per home credit loan paid in 40 years, the total profit of the bank in interests would be 41M € for the pilot project. If the same conditions were applied to 2K apartments per year, it would correspond to 411M€ in nominal profits.

7. Scenario Analysis & Risks

Worst Case Scenarios

To properly mitigate risk and increase the reliability of the project, it is important to account

and be prepared for the possibility of pessimistic scenarios related to the individuals, the partners, and the bank.

Starting with the individuals, in the case of João and Maria stop paying the monthly cashflows during the construction phase, the worst scenario is that they lose the right to buy the house, thus ActivoBank has less liquidity and the construction owner will sell the house at market price. The same can be considered, if after the house is constructed, the individual does not want to opt in and buy the house. In addition, despite ActivoBank end goal is to close deals with home credit loans to individuals, if after five years, the financial instability of these individuals reaches critical status, the bank can also adjust the credit offer accordingly. Meaning, ActivoBank has also the option to leave the deal, and free the customer to get home credit from another bank. In all worst scenarios related to the customer liquidity and financial ability, the bank is always protected with the initial fee that is not refundable, and the construction owner has the assurance that ActivoBank will provide credit nevertheless and can still sell the house at market value. In case the customer has financial problems after the house credit is sold, just like with traditional house credits, ActivoBank has the mortgage as insurance, which makes this project a very safe product for the bank.

Moving forward to the construction pessimistic scenarios, if the construction owner has delays delivering the end product or fails to comply with quality standards, it is common in construction deals to have all liability with the construction owner which has to pay tremendous fines to compensate the customers and the bank. That is the reality of the construction business, since as the project owners, ActivoBank's partners take all the risk and liability whilst having all the profit margins from selling the apartments. However, in case of bankruptcy of any partner, the bank should be liable. It is the bank's responsibility to make the necessary due diligence on who he should lend money. The risk of being in the banking industry is always the same, banks lend money to individuals or businesses in exchange for interests, where there is

always the risk that the lender will become bankrupt and not meet its obligations. The higher the risk, the higher the interest rates. As such, to ensure the financial viability of partners and customers, ActivoBank should perform proper extensive background checks and monitor all parties' accounts closely. In addition, ActivoBank should invest in congratulation to protect its rights and that of its customers.

Finally, there is the risk that the bank is the one with financial difficulties and liquidity problems. Under this scenario, the costs of loans to partners could increase and the credit rates on home credit could also increase. In the end, it seems highly unlikely that ActivoBank could have such liquidity problems that it fails to meet its obligations with partners and customers.

To sum up, from analyzing all the pessimistic scenarios, everything seems part of normal risk of each industry, which in the end can be considered a safe product, because in case of other parties' bankruptcy, the bank always has the assess as the insurance.

Project Development Risks

In terms of the limitations of the project developed by the team there are core risks that need to be taken into consideration. Firstly, the team is not expert in banking nor construction projects, which together with lack of in-depth validation with potential partners means that the solution still needs work to further match the costs and benefits of construction owners. To mitigate the lack of expertise, the team interviewed architects and civil engineers with expertise in construction, however, it will be for the next steps that team interviews the construction investment team of Millenium BCP to better determine the returns, costs, and the feasibility of the idea for the bank. Furthermore, for the reasons stated above, together with lack of access to sensible bank information regarding the returns on their product loans, the financial projections will likely have a significant error margin. Finally, even if some validation of the problem and the solution was performed, it is important to be aware that the sample corresponds to answers from the close network of the team which may not represent the views of the population in

Portugal. As of next steps, it is key that ActivoBank further expands its idea validation through interviews including extreme users to ensure that the solution is desired by the target audience and to adapt the strategy to acquire new customers to ActivoBank's Early Homeowners Program.

8. Impact, Desirability, Feasibility, Creativity

In evaluating the Early Homeownership Plan, it is crucial to consider various dimensions of the project. These include the impact on both customers and the bank, the desirability of the project in terms of pros and cons and goal alignment, the feasibility of implementation given the complex nature of the product and market, and the level of creativity and innovation involved. Each of these aspects provides a comprehensive perspective on the potential success and challenges of the project.

Impact

This initiative has the potential to break the pattern of delayed homeownership among younger generations, fostering progress within the Portuguese society. The project contributes to the creation of more stable and secure living environments having direct positive implications for societal well-being, mental health, and community cohesion. Furthermore, the project addresses a broader societal challenge linked to demographic trends prevalent not only in Portugal but also in many other Western countries. The trend of delayed marriage and family formation, often attributed to economic constraints, is a significant concern. Our proposed solution aims to address this issue and has a direct impact on demographics, a crucial determinant of a country's prosperity. The interconnection between population dynamics and a country's economic strength underscores the importance of tackling such challenges, as a thriving and economically robust nation is closely intertwined with the composition and growth of its population.

For ActivoBank, this project not only holds the potential to expand its market share and customer base but also positions it as a leader in financial innovation. Importantly, mortgages and loans are traditionally profitable products for banks, suggesting that this plan could be a promising builder of wealth and financial success for ActivoBank.

Finally, it is also worth mentioning the impact on the real estate market, offering a boost in demand while providing liquidity for home constructors. This dual effect accelerates and streamlines the entire home construction process, contributing to progress in the real estate sector. The effectiveness of this plan, however, will depend on market reception and the management of financial risks involved.

Desirability

The level of desirability of our proposed idea is exceptionally high, considering the previously discussed impact on individuals and society in general. It goes beyond just offering a financial product; it symbolizes a shift in mindset, challenging prevailing negative beliefs and introducing a positive and practical outlook for the future. The desire for homeownership is a fundamental human aspiration, and our innovation addresses this need directly, making it not only desirable but also transformative in its societal implications. Therefore, the project has clear pros such as innovation in home financing and addressing the needs of a specific customer segment. It aligns with ActivoBank's goals of expanding its services and enhancing customer engagement. However, the cons include potential market resistance to a new concept and the risk of financial unpredictability. The introduction of a new approach to home financing may face skepticism or hesitancy from a market accustomed to traditional methods.

Feasibility

Firstly, a comprehensive market analysis is imperative to grasp the dynamics and demands of the housing market accurately. This involves studying trends, assessing demand-supply ratios,

and identifying potential challenges specific to the geographical areas targeted. Regulatory compliance is another critical facet, necessitating a thorough understanding of local and national regulations governing both the financial and real estate sectors. Furthermore, successful implementation requires seamless alignment with construction or real estate partners. Building strong partnerships is not only about finding compatible entities but also involves negotiating mutually beneficial terms and ensuring a shared vision for the project. The complexities of the housing market, characterized by fluctuating demand, diverse customer preferences, and regulatory intricacies, amplify the challenges.

Overall, it demands substantial resources, both in terms of financial investment and human expertise. Success in overcoming these challenges will not only pave the way for a successful launch but also establish ActivoBank as a leader in navigating the intricate landscape of housing finance innovation.

Creativity

This project exemplifies creativity, proposing a novel solution in the realm of home financing. By combining elements of investment planning with homeownership, ActivoBank is venturing into unexplored territory, setting a new market trend. No existing product offers such a blend, making this initiative a pioneering step in the banking sector. The project's innovative approach reflects a shift in traditional banking models, focusing on customer-centric solutions and market differentiation.

9. Other opportunities

Although the focus is on the Early Homeownership program, ActivoBank can explore added opportunities to increase the value proposition and revenue from the program. To understand more, we will explore two premises – first, additions to the program to make it more lucrative and second, twists to improvise the idea to target niche customers.

Additions

First-Time Homebuyer's Assistance Program

To support first-time buyers as they navigate the complexities of purchasing their home, ActivoBank can provide educational resources and financial counselling aimed at educating young customers to understand the complex buying process. The educational component helps demystify the home buying process, making it more accessible and less intimidating. The counselling ensures that customers understand mortgage options and how to manage their home purchase responsibly.

Reward Loyalty Program

To incentivize customer retention and reward banking loyalty, this program links banking behaviour with benefits that can be applied to joint(family) or individual accounts. For example, by using the bank for daily financial transactions or maintaining certain account balances, customers can earn points or receive mortgage-related rewards. This motivates the users to treat ActivoBank as primary account.

Flexible Loan Conversion Options

Financial situations and market conditions change over time. This service allows for mortgage adaptability. Customers can convert their loan types (e.g., from a floating interest rate to a fixed rate) or adjust repayment terms without incurring penalties. This is similar to traditional loans. The financial flexibility ensures that borrowers are not locked into a mortgage product that no longer reflects their current needs or the economic climate.

Twists to the core idea

This refers to the changes made to the original idea to meet special needs and cater to a niche segment of customers.

Restore/Revamp Houses instead of construction

A large number of people inherit houses from the older generation, be it their parents or grandparents. These inherited properties, while valuable, frequently require modernization or renovation to meet contemporary living standards. For instance – a young family may need to modularize the kitchen to accommodate new appliances or restructure the house to have a new room or bathroom for growing family. In such case, AB can partner with small Interior designing companies to help the customers. While the costs involved in renovations may not equal to the expense of purchasing a new home, it still requires significant financial planning and resources.

Rent-to-Own plan for more flexibility

The flexible rent-to-own model stands out as a unique solution. For this plan, ActivoBank acts as a co-owner, offering occupants a progressive pathway to purchase equity(house), transitioning them from renters to owners. Customers also have the option to sell their equity back to the bank, providing a safety net for those facing unforeseen circumstances or financial crunch. However, this flexibility is balanced with protective measures from ActivoBank such as advance notice, and specific equity amount redeemability, ensuring ActivoBank's interest is not at much risk.

10. Limitations

An idea could be perfect in theory, but the practical implementation always has some limitations. On paper, the Early Home Ownership program seems ideal in helping to solve the housing related issues for young people as well as a definite and stable revenue stream for the bank. Since the project involves multiple layers of partnerships, legal ramifications and market economics, there might be some limitations for the project which could hinder the overall plan. To address these, we have divided them into three categories: Financial and Market Uncertainty, Operational Challenges, and Legal and Regulatory Constraints.

Financial and Market Uncertainty

One of the core parts of the program is Loans and Credits. With any credit or loan comes interests, which can be a big 'IF'. The market or economy may face inflation and changes. Correspondingly, the profitability of the program is susceptible to market-driven interest rate changes, potentially impacting loan affordability for customers and the bank's revenue projections. This in turn leads to economic instability which can affect both ActivoBank and customer's financial health, leading to increased default risks and reduced demand for new housing loans. Apart from credit, fluctuations in property values is another risk factor which can impact the equity value of homes within the program, affecting both the bank's assets and the customers' investments. Also, banks and construction companies often have different approaches to risk assessment and management, necessitating a vital risk strategy.

Operational Challenges

The success of the program depends on both the bank and construction company. The construction company plays a pivotal role in building the house, considering the timeline, budget, legal complexity, and quality. Since construction is not always a straightforward process, aligning the construction timelines with the bank's schedules can be challenging and any delays in construction could lead to discrepancies in loan disbursements, interest rates and customer expectations. Furthermore, the program demands significant resources in terms of capital, expert personnel, and infrastructure, which could strain the administrative process. Since ActivoBank may not be directly responsible for the construction of the houses but as a Product owner, they still have to meet the responsibilities to their customers. Hence, the dependency on a third party or construction company may possess some operation challenges, especially if the goals or the vision change for any of the parties involved.

Legal and Regulatory Constraints

The partnership between ActivoBank and construction company for the Early Home Buying

Plan introduces a complex legal and regulatory landscape. Making contracts that include the responsibilities, rights, and obligations of both ActivoBank and the construction company is a significant legal undertaking. These contracts must address project timelines, financing terms, quality standards, and liability issues. Also, a big uncertainty for any partnership is what happens if one party refuses to abide by the deal or tries to circumvent the contract. Legal and regulatory constraints, especially when a Bank is involved, could be a nightmare and the program's unique structure also may present legal challenges, especially those related to property rights and financing agreements.

11. Conclusions

The project embarked on a transformative journey aligned with ActivoBank's broader objectives. Our main objectives were to navigate the theoretical underpinnings of ActivoBank's operations, employing design thinking and leveraging contemporary literature on banking ecosystems, business model innovation, and strategic market positioning. The specific goals included fostering innovation within ActivoBank, serving the evolving needs of young adults, and creating a distinctive business model centered around financial solutions, community engagement, and strategic positioning.

The project stands as a testament to innovative thinking, rigorous research, and a deep understanding of the current financial market. Its achievements include the development of a comprehensive business model that not only aligns with theoretical frameworks but is also primed for practical adoption. The project addresses the evolving needs of young adults, positioning ActivoBank as a pioneer in the digital banking space. Valuable lessons were learned, bridging the gap between theoretical knowledge and real-world problem-solving.

From a theoretical perspective, the project highlighted the importance of aligning business strategy with customer needs, emphasizing a customer-centric approach. Practically, it shed light on the intricate balance required between innovative thinking and the practical realities of

the financial sector.

The project's educational value lies in its ability to bridge theory and practice. It offered students the opportunity to apply theoretical frameworks to practical scenarios, emphasizing the criticality of a customer-centric approach in the dynamic financial landscape. The experiential value stems from the real-world problem-solving skills developed, preparing students for the challenges of the professional sphere.

The proposed project aligns seamlessly with ActivoBank's broader objectives, aiming to transform from a secondary account holder to the primary banking choice for users. It recognizes the need for innovation in the competitive digital banking landscape and strategically engages with young professionals and community stakeholders to shape solutions that resonate with the target market.

To enhance the impact of the project, future research and development could explore potential enhancements or additional features. Areas of focus may include refining the user experience, incorporating emerging technologies, or expanding the project's applicability to a broader demographic. Continuous innovation is key to staying ahead in the ever-evolving financial sector.

In conclusion, this project represents more than an academic pursuit; it is a catalyst for innovation and adaptability in the face of market saturation. It exemplifies the transformative power of creativity and the willingness to tackle challenging problems. The call to action is clear — to continue the journey of innovation, adapting to the dynamic financial landscape, and shaping the future of banking. The project's significance lies in its potential to influence not only ActivoBank's trajectory but also the broader financial industry, setting new benchmarks for customer-centric solutions and strategic market positioning.

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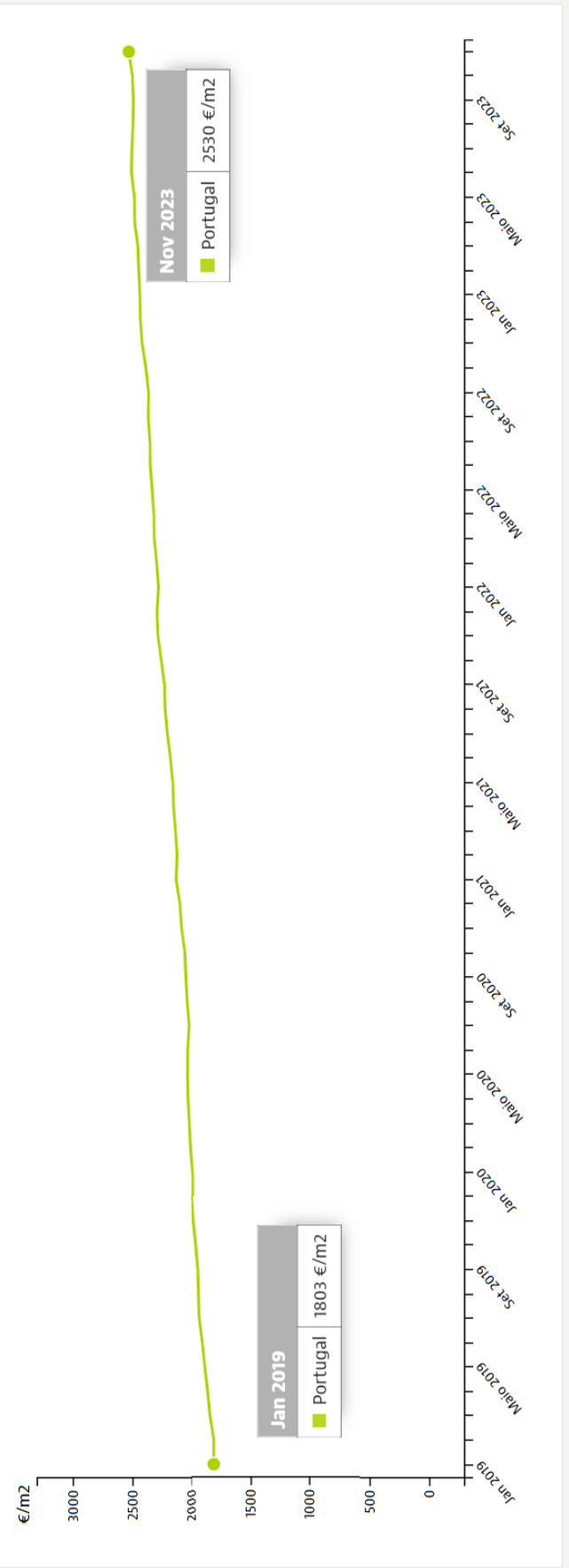
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13. Appendix

- Appendix 1 – Price of m2 in Portugal, since January 2019 (Idealista 2023)
- Appendix 2 – Lean Canvas for Solution Development
- Appendix 3 – Validation Script & Data
- Appendix 4 – TAM, SAM & SOM Framework
- Appendix 5 – Financial Projections

Appendix 1 – Price of m2 in Portugal, since January 2019 (Idealista 2023)



Appendix 2 – Lean Canvas for Solution Development

Problem <i>List 3 Problems</i>	 Solution Early Homeowners Program Reserves houses to people in the planning stage and sell later at a pre-determined price. During construction, instead of paying whole house, only pay downpayment through progressive investments to a specific house.	 Unique Value Proposition Single, clear, compelling message that states why you are diferente and worth paying attention For people aspiring to buy their first house, AB's Early Homeowners program is the way to buy a new house, That is most financially achievable with less risk, Because of a guaranteed new home for you with low and progressive investments.	 Unfair Advantage Something that cannot be bought Digital Marketing Expertise Brand Positioning & Awareness 200.000 Portuguese Clients B2B and construction expertise, through Millenium Bcp.	 Target Customers List your customers and users 1. Young Professionals who might still live with parents, thus able to save money 2. Recent or to be Families Who are looking to buy their first family house.
 Problem List 3 Problems 1. Uncertainty & Risk during savings to buy a house. 2. High Cost of Entry Need 10% downpayment. 3. Parenthood delayed due to uncertainty and lack of financial stability.	 Solution Early Homeowners Program Reserves houses to people in the planning stage and sell later at a pre-determined price. During construction, instead of paying whole house, only pay downpayment through progressive investments to a specific house.	 Key Metrics List the key numbers that tell hour your business is doing Nr. of applicants Nr. of houses partnered Nr. of AB's Home Credits Profits	 Channels Paths to Customers Digital & Advertisement inbound Physical outbound	 Channels Paths to Customers Digital & Advertisement inbound Physical outbound
 Solution Early Homeowners Program Reserves houses to people in the planning stage and sell later at a pre-determined price. During construction, instead of paying whole house, only pay downpayment through progressive investments to a specific house.	 Unique Value Proposition Single, clear, compelling message that states why you are diferente and worth paying attention For people aspiring to buy their first house, AB's Early Homeowners program is the way to buy a new house, That is most financially achievable with less risk, Because of a guaranteed new home for you with low and progressive investments.	 Channels Paths to Customers Digital & Advertisement inbound Physical outbound	 Channels Paths to Customers Digital & Advertisement inbound Physical outbound	 Target Customers List your customers and users 1. Young Professionals who might still live with parents, thus able to save money 2. Recent or to be Families Who are looking to buy their first family house.
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Cost Structure Variable Costs Administrative Costs for Bank to Run the Project Customer Acquisition Costs & Advertisement		Revenue Streams Bank Service Fee (Non-Refundable) House Downpayment (Owned by Customer) Interests on credit loans to partners Mortgage Payments		

Appendix 3 – Validation Script & Data

	All Ages		Main Customer Segments									
	#A	%A	18-23 y.o.		24-29 y.o.		30-35 y.o.		36-41 y.o.		42+ y.o.	
Homeownership Goals & Planning	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A
1. Do you plan to buy a house in the future?	111	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes, ideally in the next 6 months.	5	5%	-	-	4	8%	1	9%	-	-	-	-
Yes, ideally between 6 months and 2 years.	27	24%	-	-	18	36%	3	27%	2	50%	-	-
Yes, ideally between 2 and 5 years.	37	33%	9	56%	18	36%	5	45%	-	-	1	7%
Yes, ideally more than 5 years from now.	14	13%	7	44%	5	10%	-	-	-	-	-	-
No, because I bought a house less than 10 years ago.	10	9%	-	-	4	8%	1	9%	2	50%	2	14%
No, because I bought a house more than 10 years ago.	13	12%	-	-	1	2%	1	9%	-	-	11	79%
No.	5	5%	-	-	-	-	-	-	-	-	-	-
2.1. Have you set a savings goal to be able to buy a house?	105	100%	16	100%	50	100%	11	100%	4	100%	13	100%
Yes, and I changed my savings goal more than once.	11	10%	-	-	8	16%	2	18%	-	-	1	8%
Yes, and I changed my savings goal once.	12	11%	1	6%	2	4%	1	9%	2	50%	2	15%
Yes, and I have not changed that savings goal.	34	32%	3	19%	17	34%	3	27%	2	50%	6	46%
No.	48	46%	12	75%	23	46%	5	45%	-	-	4	31%
2.2. Have you set a date goal for when to buy a house?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes, and I changed the date goal more than once.	13	12%	-	-	8	16%	-	-	3	75%	1	7%
Yes, and I changed the date goal once.	10	9%	1	6%	4	8%	3	27%	-	-	2	14%
Yes, and I have not changed the date.	9	8%	2	13%	5	10%	1	9%	-	-	1	7%
No.	74	70%	13	81%	33	66%	7	64%	1	25%	10	71%
2.3. Have you set a goal about the characteristics of the house you want to buy? For example: location, number of rooms, or square meters.	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes, and I changed those goals more than once.	18	17%	1	6%	8	16%	2	18%	3	75%	1	7%
Yes, and I changed my goals once.	15	14%	2	13%	6	12%	4	36%	1	25%	2	14%
Yes, and I have not changed my goals.	50	47%	4	25%	26	52%	4	36%	-	-	9	64%
No.	23	22%	9	56%	10	20%	1	9%	-	-	2	14%
Family Goals & Relationship with Homewonership	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A
3.1. Do you have children or want to start a family in the near future?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes, I aspire to start a family.	68	64%	13	81%	38	76%	8	73%	2	50%	-	-
Yes, I have children.	23	22%	-	-	6	12%	2	18%	2	50%	13	93%
No, neither.	15	14%	3	19%	6	12%	1	9%	-	-	1	7%
3.2. Do you consider that the financial factor is, was, or will be decisive in my decision to have children (if I have, when, or how many)?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
1- Strongly Disagree.	2	2%	1	6%	-	-	-	-	-	-	1	7%
2- Disagree.	5	5%	1	6%	1	2%	2	18%	1	25%	-	-
3- Neutral.	11	10%	1	6%	5	10%	-	-	1	25%	2	14%
4- Agree.	54	51%	6	38%	29	58%	8	73%	1	25%	7	50%
5- Strongly Agree.	34	32%	7	44%	15	30%	1	9%	1	25%	4	29%
3.3. Do you consider that having a purchased house is, was, or will be decisive in my decision to have children (if I have, when, or how many)?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
1- Strongly Disagree.	8	8%	1	6%	4	8%	1	9%	-	-	1	7%
2- Disagree.	18	17%	1	6%	7	14%	5	45%	2	50%	1	7%
3- Neutral.	17	16%	2	13%	9	18%	1	9%	-	-	4	29%
4- Agree.	45	42%	7	44%	25	50%	2	18%	1	25%	5	36%
5- Strongly Agree.	18	17%	5	31%	5	10%	2	18%	1	25%	3	21%
3.4. Am I delaying (or delayed) having the first or more children because I have not managed (or could) to buy a house?	105	100%	16	100%	50	100%	11	100%	3	100%	14	100%
1- Strongly Disagree.	30	29%	4	25%	16	32%	4	36%	1	33%	1	7%
2- Disagree.	26	25%	1	6%	13	26%	4	36%	1	33%	5	36%
3- Neutral.	29	28%	4	25%	13	26%	2	18%	1	33%	5	36%
4- Agree.	14	13%	6	38%	4	8%	1	9%	-	-	2	14%
5- Strongly Agree.	6	6%	1	6%	4	8%	-	-	-	-	1	7%
House in the Planning Stage	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A
4. Do you know the term "house in the planning stage"?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes.	55	52%	4	25%	24	48%	8	73%	2	50%	12	86%
I think so.	10	9%	2	13%	7	14%	-	-	-	-	1	7%
No, but I've heard of it.	8	8%	-	-	5	10%	-	-	-	-	-	-
Never heard of that term	33	31%	10	63%	14	28%	3	27%	2	50%	1	7%
4.1. Have you ever considered buying a house in the planning stage?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes, and I want to buy (or have bought) my house in the planning stage.	4	4%	1	6%	1	2%	-	-	1	25%	1	7%
Yes, and I am (or have been) open to the possibility of buying a house in the planning stage.	55	52%	9	56%	29	58%	5	45%	3	75%	4	29%
Yes, and I am not (have never been) open to the possibility of buying in the planning stage.	11	10%	1	6%	5	10%	-	-	-	-	3	21%
No, because I have (have never had) no interest.	9	8%	1	6%	5	10%	1	9%	-	-	2	14%
No, and I have never thought about that possibility.	27	25%	4	25%	10	20%	5	45%	-	-	4	29%

Sample Characteristics	Main Customer Segments											
	All Ages		18-23 y.o.		24-29 y.o.		30-35 y.o.		36-41 y.o.		42+ y.o.	
	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A	#A	%A
5.1. More specifically, indicate your current housing situation	106	100%	16	100%	50	100%	11	100%	4	100%	13	100%
Own House.	32	30%	2	13%	9	18%	5	45%	2	50%	-	-
Rent a House.	18	17%	-	-	13	26%	3	27%	2	50%	-	-
Rent a Room.	1	1%	-	-	1	2%	-	-	-	-	-	-
Live with Parents (or others).	55	52%	14	88%	27	54%	3	27%	-	-	-	-
5.2. Do you have an Job Contract?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes.	73	69%	2	13%	39	78%	9	82%	2	50%	13	93%
No, but I will.	7	7%	3	19%	2	4%	-	-	1	25%	-	-
No.	26	25%	11	69%	9	18%	2	18%	1	25%	1	7%
5.3. Have you ever simulated a mortgage?	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Yes.	56	53%	-	-	24	48%	9	82%	4	100%	12	86%
No.	50	47%	16	100%	26	52%	2	18%	-	-	2	14%
5.4. Indicate your age.	106	100%	16	100%	50	100%	11	100%	4	100%	14	100%
Under 18 years old.	1	1%	-	-	-	-	-	-	-	-	-	-
Between 18 and 23 years old.	17	16%	16	100%	-	-	-	-	-	-	-	-
Between 24 and 29 years old.	56	53%	-	-	50	100%	-	-	-	-	-	-
Between 30 and 35 years old.	14	13%	-	-	-	-	11	100%	-	-	-	-
Between 36 and 41 years old.	4	4%	-	-	-	-	-	-	4	100%	-	-
More than 41 years old.	14	13%	-	-	-	-	-	-	-	-	14	100%
Understanding the Idea & Perception of Value												
6.1. Did you understand the main idea of this new concept?	90	100%	12	100%	42	100%	10	100%	4	1	12	100%
1- Strongly Disagree.	0	0%	0	0%	-	-	-	-	-	-	-	-
2- Disagree.	1	1%	0	0%	1	2%	-	-	-	-	-	-
3- Neutral.	7	8%	0	0%	3	7%	1	10%	-	-	1	8%
4- Agree.	46	51%	8	67%	21	50%	5	50%	2	50%	6	50%
5- Strongly Agree.	36	40%	4	33%	17	40%	4	40%	2	50%	5	42%
6.2. Do you consider that this solution is financially more accessible than existing solutions in the market in the process of buying a house?	90	100%	12	100%	42	100%	10	100%	4	1	12	100%
1- Strongly Disagree.	2	2%	0	0%	1	2%	-	-	-	-	1	8%
2- Disagree.	6	7%	0	0%	4	10%	1	10%	-	-	1	8%
3- Neutral.	25	28%	0	0%	10	24%	5	50%	-	-	3	25%
4- Agree.	48	53%	11	92%	22	52%	4	40%	2	50%	6	50%
5- Strongly Agree.	9	10%	1	8%	5	12%	-	-	2	50%	1	8%
6.3. The fact that a national reference bank is involved in the sale and management of off-plan houses increases the guarantee of quality and reliability in this type of product.	90	100%	12	100%	42	100%	10	100%	4	100%	12	100%
1- Strongly Disagree.	2	2%	0	0%	-	-	1	10%	0	0%	1	8%
2- Disagree.	5	6%	0	0%	2	5%	1	10%	1	25%	0	0%
3- Neutral.	24	27%	1	8%	8	19%	5	50%	1	25%	4	33%
4- Agree.	44	49%	8	67%	24	57%	3	30%	2	50%	5	42%
5- Strongly Agree.	15	17%	3	25%	8	19%	-	-	-	-	2	17%
6.4. Do you consider that this solution is (or would be) beneficial for you?	90	100%	12	100%	42	100%	10	100%	4	100%	12	100%
1- Strongly Disagree.	1	1%	0	0%	1	2%	-	-	-	-	-	-
2- Disagree.	4	4%	0	0%	2	5%	-	-	-	-	1	8%
3- Neutral.	35	39%	3	25%	12	29%	6	60%	1	25%	7	58%
4- Agree.	40	44%	8	67%	21	50%	4	40%	2	50%	3	25%
5- Strongly Agree.	10	11%	1	8%	6	14%	-	-	1	25%	1	8%
6.5. Do you consider that this solution is beneficial for people you know?	90	100%	12	100%	42	100%	10	100%	4	100%	12	100%
1- Strongly Disagree.	0	0%	0	0%	-	-	-	-	-	-	-	-
2- Disagree.	2	2%	0	0%	-	-	-	-	-	-	1	8%
3- Neutral.	24	27%	2	17%	13	31%	3	30%	1	25%	2	17%
4- Agree.	51	57%	9	75%	22	52%	7	70%	1	25%	7	58%
5- Strongly Agree.	13	14%	1	8%	7	17%	-	-	2	50%	2	17%
6.6. Are you interested in learning more about this type of product?	90	100%	12	100%	42	100%	10	100%	4	100%	12	100%
1- Strongly Disagree.	1	1%	0	0%	-	-	-	-	-	-	1	8%
2- Disagree.	5	6%	0	0%	1	2%	1	10%	-	-	2	17%
3- Neutral.	17	19%	2	17%	6	14%	2	20%	-	-	4	33%
4- Agree.	54	60%	8	67%	28	67%	7	70%	2	50%	4	33%
5- Strongly Agree.	13	14%	2	17%	7	17%	-	-	2	50%	1	8%
7. When this product is launched to the market, do you want to be informed?	89	100%	13	100%	41	100%	10	100%	4	100%	10	100%
Yes.	68	76%	11	85%	31	76%	9	90%	4	100%	5	50%
No.	21	24%	2	15%	10	24%	1	10%	-	-	5	50%
8. Are you available to be contacted for further clarification? (If necessary to provide more support for the thesis study.)	89	100%	12	100%	41	100%	10	100%	4	100%	12	100%
Yes.	27	30%	5	42%	11	27%	4	40%	3	75%	3	25%
No.	62	70%	7	58%	30	73%	6	60%	1	25%	9	75%

Appendix 4 – TAM, SAM & SOM Framework

	% Houses Per Year	# Houses per Year
TAM >> #New Home Credits in 2022	100%	169 000
SAM >> To People under 40 y.o.	61%	103 090
SOM >> Expected Market Penetration	2%	2 062

Appendix 5 – Financial Projections

	Number of Apartments T3			PILOT		SOM	
	1	200	500	1 000	2 000		
REVENUES							
Selling Price Apartment + IMT							
Price Apartment	400 000 €	80 000 000 €	200 000 000 €	400 000 000 €	800 000 000 €		800 000 000 €
IMT (8%)	370 370 €	74 074 074 €	185 185 185 €	370 370 371 €	740 740 741 €		740 740 741 €
Downpayment	29 630 €	5 925 926 €	14 814 815 €	29 629 630 €	59 259 259 €		59 259 259 €
Bank Service Fee (Non Refundable & Equal to Bank Costs)	40 000 €	8 000 000 €	20 000 000 €	40 000 000 €	80 000 000 €		80 000 000 €
	4 000 €	800 000 €	2 000 000 €	4 000 000 €	8 000 000 €		8 000 000 €
COSTS							
Total Interest Paid in 40 Years relative to Loan (Assumption: 100%)							
Avg. Home Credit	360 000 €	72 000 000 €	180 000 000 €	360 000 000 €	720 000 000 €		720 000 000 €
(A) Avg. Total Interests Payments from Customers	360 000 €	36 000 000 €	90 000 000 €	180 000 000 €	360 000 000 €		360 000 000 €
Total Interest Paid in 5 Years relative to Loan (Assumption: 10%)							
Loans to construction Partners	256 296 €	51 259 259 €	128 148 148 €	256 296 296 €	512 592 593 €		512 592 593 €
(B) Avg. Total Interests Payments from Partners	25 630 €	5 125 926 €	12 814 815 €	25 629 630 €	51 259 259 €		51 259 259 €
Construction Owner Representative (Assumption: 2%)	7 407 €	1 481 481 €	3 703 704 €	7 407 407 €	14 814 815 €		14 814 815 €
Architecture, Land & Permits (Assumption: 12%)	44 444 €	8 888 889 €	22 222 222 €	44 444 444 €	88 888 889 €		88 888 889 €
Construction (Assumption: 65%)	240 741 €	48 148 148 €	120 370 370 €	240 740 741 €	481 481 482 €		481 481 482 €
Fiscal (Assumption: 1%)	3 704 €	740 741 €	1 851 852 €	3 703 704 €	7 407 407 €		7 407 407 €
(C) Project Costs = 80% of Price Apartment	296 296 €	59 259 259 €	148 148 148 €	296 296 296 €	592 592 593 €		592 592 593 €
PROFITS							
Total Estimated Nominal Profits	426 667 €	49 333 333 €	123 333 333 €	246 666 667 €	493 333 334 €		493 333 334 €
Financial Services = (A) + (B)	385 630 €	41 125 926 €	102 814 815 €	205 629 630 €	411 259 260 €		411 259 260 €
Construction Owner = (C) - (B)	344 740 €	9 688 889 €	24 222 222 €	48 444 444 €	96 888 889 €		96 888 889 €