

Press release

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Swiss retail banks will come under increasing pressure – earning streams may shrink by a third within the decade

Swiss banks active in retail banking are still doing well. The challenges of the past decades have never seriously threatened their leading position, and incremental changes have always sufficed. But current business models are now being challenged by new developments: amongst others, this is the transition from a closed banking business model to platform-driven open banking, the increased opening up of value chains, and with that, greater collaboration with third-party providers. Thus, banks could see their revenue streams from key businesses contract by a third within the current decade. This is shown with Deloitte's new study '[Future of Retail Banking](#)'. In addition, recent bank failures in the US and the local market impact from the forced merger of UBS and Credit Suisse will further drive market dynamics – a reason to move quickly and decisively for all market participants.

Traditional Swiss retail banks primarily serve private customers and SMEs. By this point in time, they do so mainly with standardised services, ranging from savings and investments to payments and lending. Major players in Switzerland besides the two big banks are the cantonal banks and the Raiffeisen banks. Compared to their European peers, Swiss retail banks operate in a very attractive market environment. They typically benefit from a solid and healthy domestic market characterised by a slow pace of change.

Specifics to the Swiss retail banking market will disappear

Three factors stand out regarding the different historical development of Swiss and European retail banks. The first is the high business volume of around 150'000 Swiss francs per customer, which generates an average operating profit of 550 Swiss francs per year. In Europe, the total business volume per customer is between 30'000 and 60'000 Euros, resulting in operating profits in the region of 150 and 350 Euros. The second factor is the boom in the Swiss mortgage market, based on which Swiss banks have enjoyed steady revenue growth over the past two decades. Finally, the third factor that sets the Swiss retail banking market apart is the strong brand loyalty among customers, which sees them build up a close relationship with their main bank and almost no desire to switch.

The Deloitte study shows that these factors are rapidly changing and will lead to significant challenges for incumbents in the Swiss retail banking market in the medium term.

Structural changes put earning streams at risk

'It is becoming more difficult for Swiss retail banks to maintain their high levels of profitability and growth,' says Cyrill Kiefer, Head of Banking at Deloitte Consulting Switzerland. He cites several reasons for this: the transition of society and economy towards Net Zero, the increasing saturation of the residential real estate market, the ageing customer base, and the fact that customers demand functional, intuitive «end-to-end» solutions of banks' service offerings.

Neo, challenger- and non-banks enter the retail banking market

Another challenge is emerging neo- and challenger banks disrupting the market. Their sophisticated digital banking models offer a better customer experience at a lower cost. In addition, cash-rich Non-Bank Financial Institutions (NBFIs) turn serious competitors in some core retail banking services. For example, various insurers and pension funds have entered the attractive Swiss mortgage business for retail customers in recent years and partner with independent brokers (such as Moneyland and MoneyPark) and credit platform providers (such as creditexchange.ch and resolve.ch). NBFIs also seek to increase their market share in other financial services offerings such as financial advisory and asset management services.

New open banking ecosystems compete with traditional banking models

Traditional businesses of Swiss retail banks face significant disruption with a new kid on the block: open banking. It allows providers to combine different services from banks and other parties on digital platforms and offer them in an integrated package to their customers. The growth of these new ecosystems is mainly driven by agile FinTechs, that collect, prepare, and distribute these integrated offers. 'Given the changing needs and expectations of customers, new interaction models, increasing fragmentation of value chains and technological advances, Swiss retail banks need to develop new strategies for dealing with these emerging ecosystems and positioning themselves within them,' says Kiefer. 'Banks should move away from traditional strategic planning and think more about future scenarios. This is the only way for them to survive in the long term,' he adds. In this regard, Deloitte has outlined four likely scenarios for the future development of the Swiss retail banking market.

Becoming fit for future

Swiss retail banks need to run strategic decision-making quickly depending on the scenario outcome and respective positioning. Essentially, there are two options – either developing innovative and attractive products or owning and managing distribution channels and customer relationships. Banks will also need to think about combining the elements of traditional banking with services from a broader ecosystem.

'To increase business agility and foster future innovation and growth, retail banks need to adopt an inside-out perspective. They would be better off focusing on external partnership and collaboration rather than internal practices and policies,' advises Kiefer. In addition, digitalisation will be a key success factor over the next decade. 'But this will involve more than just keeping up with current technological trends. Today's customers expect the best of both worlds: Trusted, personalised interaction in combination with the benefits of a fully-fledged digital service offering,' he adds.

About the study

The '[Future of Retail Banking](#)' study is based on public data from the researched companies, as well as various studies and information from associations and authorities. The corresponding analysis was carried out by experts from Deloitte. The study contains a critical assessment of the current business environment and draws possible future scenarios on how the Swiss retail banking market and its ecosystems might develop over the next years.

It forms part of a wider Deloitte white paper series, which examines the future of the Swiss financial services industry over a ten-year period and beyond.

Further, we have published in 2023 the [TrendRadar: Future of Banking](#), which is based on a screening of industry trends and their assessment by experts. The trends identified are categorised according to different levels of urgency. The study provides a systematic overview of the most important trends in the banking sector.



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