Swiss Banking Business Models of the future
Embarking to New Horizons

Deloitte Point of View
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The banking market in Switzerland is undergoing significant change and all current business models are under scrutiny. Among several universal trends and Switzerland-specific market factors affecting banks and their customers, ‘digitisation’ is the most significant. In addition upcoming new regulations will drive more changes to business models than any regulations in Switzerland have ever done before.

Deloitte has produced this report, based on extensive research and fact-finding, to assess how major trends and disruptive innovations will re-shape the business of banking in the future.

The report addresses the following questions:

• What are the key trends affecting banks and their customers?

• What are the main innovations that are being driven by these key trends?

• Which scenarios can be predicted for the banking industry of tomorrow?

• What will be the most common business models for banks in the future?

• How should banks make their strategic choice?

This report will not give you definite answers, but it should indicate how to start addressing the question: “Where do we want to position ourselves in the banking market of the future?”

Yours sincerely,

Dr. Daniel Kobler, Partner
Lead Author, Banking Innovation Leader

Jürg Frick, Senior Partner
Banking Industry Leader

Adam Stanford, Partner
Consulting Leader Financial Services
Banks need to **adapt their business models to key trends and disruptive innovations** that are already having an impact on society and the economy. The **main driver of change is digitisation**.

Over half the people in Switzerland now use e-commerce or e-banking, and the numbers are increasing.

At the same time the **wealth of millennials** (individuals born between the 1980s and 2000s) is **expected to grow significantly** in the next few years. These are a technophile generation, and banks will need to adapt the services they offer to meet the demands of this important customer segment.

Increasing numbers of so-called ‘**digital disruptors**’ are using **IT platforms to enter the market for banking services**, although they do not seek to replicate the universal banking model. IT giants such as Google, Facebook, Alibaba and Twitter are developing ways of selling banking apps and services. There are also innovative opportunities in banking, using blockchain technology, robots, biometric security devices and ‘gamification’.
Disruptive innovations will lead to fundamental changes in business and services.

Customer relationship becoming more important

Five primary banking functions will be impacted:

- **Payments services** are already experiencing a shift from cash to electronic payments, and to faster and cheaper methods of making transfers.

- The traditional **deposits and lending** business of banks is now challenged by alternative lending methods, such as online platforms for person-to-person (P2P) funding, mobile banking and alternative methods of credit assessment.

- Investors will have better access to **financial advice and investment processes**, as technology develops in areas such as advanced analytics, retail algorithmic trading, social trading and automated investment advice.

- In the financial markets, new information sources and **market platforms** are improving connectivity, and automated trading is affecting market volume, liquidity, volatility and spreads.

- Alternative funding platforms are opening new opportunities for **raising capital** through crowdfunding.

As a consequence of these developments in technology and automation, **alternatives to the traditional one-stop banking model are emerging**. And with the diminishing role of banks as a counterparty in financial markets, customer relationships based on advice and speed of information provision are becoming more important.
Banking has traditionally been an integrated business, with banks providing their services and managing their value chain in-house. With standardisation of IT interfaces for banking services, and other disruptive innovations, we can expect to see a break-up of the value chain, creating opportunities for specialist firms.

Five main business models to choose:

- The ‘transaction champion’ will focus on exploiting economies of scale to deliver low-cost, standardised transactions in partnership with other banks and non-bank providers.
- The ‘product leader’ will focus on gaining market share quickly for innovative products, charging premium prices.
- The ‘trusted advisor’ will focus on exploiting economies of scope by offering a broad range of products and advisory services.
- The ‘managed solution provider’ will focus on complementing the other business models by offering specialised back office services.
- The universal bank will need to achieve scale in all their business lines, to minimise costs, and will also need to allocate their resources efficiently.

All banks will have to make a strategic choice about which business model to adopt. Their choice should be based on external factors and internal strengths and capabilities.
Overview of the report

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   Pages 7-16

2. Disruptive innovations reshaping banking
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Chapter 1
What are the key trends impacting the banking industry?

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**Key trends: Overview**

We identified six key trends that are having an impact on banks and their customers.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Key trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitisation</td>
<td>• The increasing global penetration of the internet brings along new competitors in banking (e.g. fintechs)</td>
</tr>
<tr>
<td></td>
<td>• New technologies (e.g. robotics, blockchain) are changing the traditional banking business model fundamentally</td>
</tr>
<tr>
<td></td>
<td>• Digital investing, gamification and biometrics enhance customers’ experience of banking and banking products</td>
</tr>
<tr>
<td>Demographies</td>
<td>• The population growth in developing countries creates new markets for banks – but also a shift in economic power</td>
</tr>
<tr>
<td></td>
<td>• Ageing of the population, particularly in industrial countries, affects client needs and saving and spending patterns</td>
</tr>
<tr>
<td></td>
<td>• Millennials are becoming the most productive generation with implications for client relationships and workforce retention</td>
</tr>
<tr>
<td>Globalisation</td>
<td>• International customers require increased levels of advice and services to cope with cross-border complexities</td>
</tr>
<tr>
<td></td>
<td>• Innovations cross national frontiers and industry boundaries, leading to closer convergence of industries</td>
</tr>
<tr>
<td></td>
<td>• Globalisation fosters the creation of prosperity and wealth in developing markets</td>
</tr>
<tr>
<td>Regulation</td>
<td>• Implementation of regulations introduced after the financial crisis will continue to be a priority for banks for many years</td>
</tr>
<tr>
<td></td>
<td>• Extra-territorial application of national laws and regulations increase the complexity of managing compliance</td>
</tr>
<tr>
<td></td>
<td>• Consumer protection rules impact the cost-to-serve of certain client segments, requiring banks to make strategic choices</td>
</tr>
<tr>
<td>Sustainability</td>
<td>• Sustainability and environmental aspects gain an increased role in the agenda of stakeholders (investors, politics, customers)</td>
</tr>
<tr>
<td></td>
<td>• Customers become more aware of the impact of their investment behaviours on sustainability and the natural environment</td>
</tr>
<tr>
<td></td>
<td>• Scarcity of resources impacts market prices</td>
</tr>
<tr>
<td>Swiss specifics</td>
<td>• An Increasing number of initiatives threaten political stability and business friendliness as competitive advantage</td>
</tr>
<tr>
<td></td>
<td>• Economic effects (strength of Swiss Franc, dawn of bank secrecy, negative interest) impact Swiss banks’ competitive position</td>
</tr>
<tr>
<td></td>
<td>• Developments in the relationship with major economic jurisdictions will influence market access for banks</td>
</tr>
</tbody>
</table>

Source: Deloitte research
Key trends: Overview
Digitisation is the main driver of key trends, impacting both banks and their customers.
Key trends: Penetration of the internet

Half the Swiss population are using e-services today, requiring banks to offer easy-to-use payment options and highly usable e-banking solutions

### Development of e-commerce and e-banking in Switzerland

<table>
<thead>
<tr>
<th>Service</th>
<th>2004</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online order</td>
<td>18</td>
<td>43</td>
<td>56</td>
</tr>
<tr>
<td>E-banking</td>
<td>21</td>
<td>39</td>
<td>49</td>
</tr>
<tr>
<td>Tourism business</td>
<td>26</td>
<td>42</td>
<td>48</td>
</tr>
<tr>
<td>Online sales</td>
<td>2</td>
<td>11</td>
<td>15</td>
</tr>
</tbody>
</table>

### Conclusion

- **Over half the Swiss population** ordered at least one item online in a three-month period during 2014. **E-commerce is popular in Switzerland** and is expected to grow further in the next few years.

- A similar trend is visible in the **use of e-banking** with almost half the population making **online payments** or using **online banking services** in a three-month period in 2014.

- With the **emergence of e-commerce**, there is a demand for the **development of easy-to-use payment options**. This will offer opportunities to financial service providers with **innovative and highly integrated solutions** to gain market share in payments.

Source: BFS (2014) Omnibus IKT
Key trends: New competitors

Digital disruptors use digital technology to enter the market for banking services and to deliver a more seamless customer experience.

Examples of how new competitors are making their way into banking

- **Digital Wallet Innovation**
  - Google is on the verge of launching a payments API (Application Programme Interface) for use on Android devices that will smooth the way for Android Pay.

- **Payments via Twitter**
  - Barclays UK has launched peer-to-peer Twitter payments, via its mobile application Pingit.

- **Smile-to-pay in E-commerce**
  - Chinese e-commerce giant Alibaba is developing facial recognition technology that enables mobile shoppers to replace their passwords with selfies.

- **Payments via Facebook**
  - Facebook is planning a mobile payments solution that will let friends send money to each other via the Facebook Messenger application.

Conclusion

- Technology firms do not replicate the universal banking model. However they innovate around it, undermining the traditional integrated banking business model.

- Google, Twitter, Facebook and Alibaba do not seek to enter the banking business as such; but they are interested in selling banking products, apps and services to consumers in order to maintain acquisition traction and to provide add-on services.

- Positioning themselves across the entire payment process gives them an opportunity to earn high-frequency, low margin revenue as well as the ability to capture purchase behaviour insights.

Key trends: Digital investing

Digital investing via social media and robo-advisors in Switzerland is still in its infancy, nonetheless it is expected to expand considerably.

Three scenarios for development of digital investing in Switzerland

Conclusion

- Based on the analysis of supply and demand for digital investing, the forecast for market volumes looks positive for traditional financial service providers to adjust their digital offerings.

- Even though the total market volume of digital investing is expected to increase greatly, traditional financial service providers should be aware that new providers will enter the digital advisory market.

- The main distinguishing features of digital advisory products will be their simplicity of operation, transparency of costs as well as data security. Robo-advisors will be attractive to customers who were previously non-consumers of wealth management services.

Source: IFZ and Swisscom (2015) Digital investing
Key trends: Millennials
The wealth of millennials is expected to grow significantly in the next five years, making them an important banking client segment

Three types of future banking customer and how to serve them

<table>
<thead>
<tr>
<th>Millennials’ level of financial and investment knowledge</th>
<th>Millennials’ level of trust in banks and financial markets</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low 19%</td>
<td>High 8%</td>
<td>• Most millennials possess a low-to-moderate level of financial knowledge. Only a few have a high level of trust in banks and financial markets.</td>
</tr>
<tr>
<td>Moderate 62%</td>
<td>Moderate 66%</td>
<td>• The demands of millennials vary widely, and banks have to address the gaps between expectations of the millennial generation and the current services that banks offer.</td>
</tr>
<tr>
<td>High 19%</td>
<td>Low 26%</td>
<td>• Banks need to identify the different types of next generation client, align their offering accordingly and provide segmented services.</td>
</tr>
</tbody>
</table>

Three types of millennial banking client and how to serve them

<table>
<thead>
<tr>
<th>Information • Concise information • Simplistic investment data</th>
<th>Services • Virtual investment portfolio • Investment learning tutorials</th>
<th>Technology • Demo trading account • Online investor school</th>
<th>The Novice Low financial knowledge Your future investor</th>
<th>The Loner Self-directed Your future enthusiast</th>
<th>The Cautious Negative perception Your future referrer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Detailed information • Technical investment data</td>
<td>• Social investment clubs • Algorithmic trading solutions</td>
<td>• Clear information • Transparent investment data</td>
<td>• Face-to-face consultation • Case-by-case pricing</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Algorithmic investment tools • Mobile investment solution</td>
<td>• Adviser peer comparison • Benchmark my performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key trends: Blockchain

As distributed ledger technology evolves, banks will have opportunities to vertically integrate new products and services.

Potential implications of blockchain technology

**Smart Contracts**
- Electronic contracts with transfer of ownership provisions coded into the contract itself eliminates the need for trusted third-parties.

**Intellectual Property**
- Blockchain technology could prove ownership of digital (intellectual) property.

**Anti-Counterfeiting**
- Identification codes stored on the blockchain can be used to track and verify the provenance of luxury goods such as wine, jewels and art.

**Foreign Exchange**
- Improved visibility of the flow of funds between parties could provide unprecedented transparency and regulatory oversight.

**Conclusion**

- **Blockchain electronic records** will guarantee fair execution without insurance and administration overhead costs.

- **Blockchain technology** helps to answer questions such as how to get multiple computers to agree on certain pieces of data or how to handle inevitable faults in the system.

- **Building competence and expertise** in cryptocurrency fundamentals will be a key part of the further development of blockchain technology.

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**Source:** Deloitte University Press (2014) Bitcoin; Deloitte research based on publicly available information (e.g. company websites)
Key trends: Automation/robotics

Robotics are computer-coded software that can achieve costs savings far greater than those achieved by relocating processes offshore.

**Robotics**

Cost of one unit of work performed by one FTE

- **Onshore**
  - CHF \( x \)
- **Offshore**
  - CHF \( \frac{1}{3} x \)
- **Robotics**
  - CHF \( \frac{1}{9} x \)

**Benefits**

- Efficiency
- Scalability
- Productivity
- Cost reduction
- Flexibility (e.g., 24 hours service)
- Quality/ Accuracy/ Risk mitigation

**Approach**

- Undertake work-in-progress analysis
- Install virtual machine and management system for record-to-report process
- Implement, test and present robot to replicate process steps

**Definition**

- Automation of repetitive, rules-based processes prone to human error
- Software to capture and interpret existing IT applications

**Conclusion**

- Banking is becoming a commoditised industry heavily focused on the front-end and on improving client experience, to attract and retain clients.
- Banks have been slow to review their procedures and their complex core legacy IT platforms do not allow for quick introduction of new technologies. Automation of back-office processes is therefore still in its infancy.
- Back-end operations still require much human support, despite not being revenue-generation areas and not requiring direct client interaction.
- Therefore banks need a fresh approach for their operations and processes. Robotics and process automation are a critical new delivery model to drive efficiency gains and analytics.

Source: Deloitte (2015) The robots are coming
Key trends: Biometrics

Biometric security technology is continuing to develop, providing benefits beyond improved security and is resulting in competitive advantages

Biometric authentication boosts security and customer experience

Biometric authentication allows banks to improve security while enhancing customer experience.

Conclusion

• With the increasing use of the internet, mobile devices, and cloud computing, threats from cybercrime and data breach are also greater.

• Biometrics is a mobile device capability that financial services providers could use to increase security and provide a superior client experience.

• Biometrics are, by their nature, difficult to replicate and faster to process than personal identification codes.

• In the next few years, more advanced biometric solutions are likely to emerge, in the form of palm-, iris-, and facial-recognition features embedded in mobile devices.

Examples

Heartbeat-rhythm security
A bracelet on the wrist has an embedded sensor which recognises the wearer’s unique electrocardiogram and communicates their identity to terminal devices using Bluetooth.

Eye-vein security
The camera on the smartphone will be used to match the customer’s real-time eye vein patterns with the stored image on the phone, without any additional software or hardware.

Fingerprint security
This technology will provide customers with quicker access to their accounts when on the move, and also improve security.

Voice recognition
As an important part in banks’ fraud prevention systems, voice recognition is already used in numerous call center authentication systems.

Source: Deloitte (2015) Banking Innovation Series

Swiss Banking Business Models of the future Embarking to New Horizons 15
# Key trends: Gamification

Banks make use of gamification to offer an enjoyable client experience, to gain a better understanding of clients and improve business numbers.

## Gamification educates customers and generates insights for banks

Gamification is the use of mechanics of games in non-game situations.

### Examples

<table>
<thead>
<tr>
<th>Application description</th>
<th>Gamification element</th>
<th>Benefits for banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSK GAMEO</td>
<td>Users are rewarded points for accomplishing everyday financial tasks (e.g. making savings)</td>
<td>• Uncover qualified sales leads.</td>
</tr>
<tr>
<td>Mobile savings application</td>
<td></td>
<td>• Generate insights into customer base.</td>
</tr>
<tr>
<td>BUX</td>
<td>Users can trade on markets with fictitious and real money and compete against each other in “BUX battles”</td>
<td>• Prepare clients for investing real money.</td>
</tr>
<tr>
<td>Virtual trading application</td>
<td></td>
<td>• Generate insights into customer base.</td>
</tr>
<tr>
<td>WELLs FARGO Education Finances</td>
<td>Quizzes, videos and infographics that acquaint students in a playful way with managing their financials</td>
<td>• Interact with young client generation.</td>
</tr>
<tr>
<td>Interactive websites</td>
<td></td>
<td>• Reduce risks of bad debts.</td>
</tr>
</tbody>
</table>

## Conclusion

- Gamification can be used to enhance customer experience, test new products or provide financial education.
- Banks can make use of gamification to increase the ‘stickiness’ of their offerings, by associating fun with their banking products.
- Clients will be given the opportunity to build up their financial knowledge through practising in a virtual environment.
- However, most current examples of gamification are relatively simple. Better and more interesting ideas are needed to attract clients permanently.

Source: Deloitte (2015) Banking Innovation Series
Chapter 2

How do disruptive innovations reshape the banking industry?

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2. Disruptive innovations reshaping banking
   - Pages 17-25

3. Likely scenarios for banking tomorrow
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   - Pages 31-38

5. Actions to be taken
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raise question of
are driving
force evolution of
drive need for
Disruptive innovations: Overview

Nine drivers of innovation fundamentally impact all five primary banking functions and thereby create a great challenge to traditional banking.

<table>
<thead>
<tr>
<th>Banking function</th>
<th>Drivers of innovation</th>
<th>Disruptive innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments</td>
<td>Cashless world, New payment rails</td>
<td>More integrated customer functionalities will limit differentiation opportunities for financial service providers. Alternative payment methods will streamline the transfer of value and impact on the role of traditional intermediaries.</td>
</tr>
<tr>
<td>Deposits and lending</td>
<td>Alternative lending, Shifting customer preferences</td>
<td>Alternative lending platforms are transforming credit evaluation and sourcing of capital, and narrowing the spread between deposits and loans. Meeting customer demands will become more important as new entrants offer competitive and customised services.</td>
</tr>
<tr>
<td>Investment management</td>
<td>Process externalisation, Empowered investors</td>
<td>Access to sophisticated financial services will be improved through social and automated trading, and automated advisory services. Increasing externalisation of processes will lead to improved levels of efficiency.</td>
</tr>
<tr>
<td>Market provisioning</td>
<td>Smarter, faster machines, New market platforms</td>
<td>Algorithmic trading may offer smarter and faster response to real-life events. New information platforms are improving connectivity among market constituents, making the markets more liquid, accessible, and efficient.</td>
</tr>
<tr>
<td>Raising capital</td>
<td>Crowd-funding</td>
<td>Crowdfunding platforms are enlarging access to capital-raising activities.</td>
</tr>
</tbody>
</table>

Disruptive innovations: Payments
As new consumer functionalities are built on to existing payment systems, transactions become faster and more integrated

<table>
<thead>
<tr>
<th>Cashless World</th>
<th>Integrated Billing</th>
<th>Streamlined Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital wallets free consumers from physical limitations of cash and cards they carry</td>
<td>In-app purchases within mobile apps combine purchase and payment into a single tap</td>
<td>Machine-to-machine payments make the payment process more effortless</td>
</tr>
<tr>
<td>Mobile Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Payment Rails</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparent transfer histories allowing high visibility into flow of funds and low exposure to fraud</td>
<td>Mobile money provides alternatives to traditional transfers by streamlining intermediating processes</td>
<td>P2P value transfer networks rely on a trusted central party to transfer value rapidly across geographies</td>
</tr>
<tr>
<td>Next Generation Security</td>
<td>Mobile Money</td>
<td>P2P Transfer</td>
</tr>
</tbody>
</table>
Disruptive innovations: Deposits and lending

New lending platforms are transforming credit evaluation and loan origination, opening up consumer lending to non-traditional sources.

<table>
<thead>
<tr>
<th>Alternative Lending</th>
<th>P2P Funding</th>
<th>Lean, Automated Processes</th>
<th>Alternative Adjudication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online platforms provide direct matching of funds between savers and borrowers</td>
<td>Alternative platforms allow automated on-boarding and assessment of borrowers for fast, transparent processing</td>
<td>The creditworthiness of borrowers is assessed beyond credit scores, analysing behavioural data</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shifting Customer Preferences</th>
<th>Virtual Banking 2.0</th>
<th>Banking as a Platform (API)</th>
<th>Evolution of Mobile Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved technology allows virtual banks to offer value propositions other than just lower cost</td>
<td>By standardising APIs across banks, developers can build customer-facing enhancements to offerings</td>
<td>Rapid adoption of mobile devices has led many banks to add digital channels for transactions</td>
<td></td>
</tr>
</tbody>
</table>


= Example application as per WEF (2015)
**Disruptive innovations: Investment management**

Accessibility to refined financial services will be improved, reducing barriers to entry for new players and enable new levels of efficiency.

<table>
<thead>
<tr>
<th>Process Externalisation</th>
<th>Empowered Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Analytics</td>
<td>Social Trading</td>
</tr>
<tr>
<td>Advanced computing power, algorithms and analytical models lead to higher levels of automation and service sophistication</td>
<td>Platforms enable individual investors to build and share investment strategies and portfolios with others</td>
</tr>
<tr>
<td>Process as a Service</td>
<td>Automated Advice &amp; Wealth Management</td>
</tr>
<tr>
<td>The notion of core internal processes changes as external providers offer full externalisation of an entire capability as a service</td>
<td>High-value advisory services on portfolio allocation at low cost, based on automated analysis</td>
</tr>
<tr>
<td>Capability Sharing</td>
<td>Retail Algorithmic Trading</td>
</tr>
<tr>
<td>Banks working together to share capabilities or easily integrate with new providers, by constructing legal and technical standards</td>
<td>Platforms enabling investors to build, test and execute algorithms with limited know-how and infrastructure</td>
</tr>
</tbody>
</table>


= Example application as per WEF (2015)
Disruptive innovations: Market provisioning

New platforms are improving connectivity and automated trading is becoming more powerful, resulting in more liquid and accessible markets.

<table>
<thead>
<tr>
<th>Smarter, Faster Machines</th>
<th>New market platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated trading affects the market structure in terms of volume, liquidity, volatility and spread</td>
<td>New platforms increase efficiency of intermediation between buyers and sellers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Big Data</th>
<th>Artificial Intelligence/Machine Learning</th>
<th>Machine Accessible Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to extensive real-time data sets through specialised databases and uncovers market insights</td>
<td>Machine learning and prescriptive analytics improve trading strategies without human intermediation</td>
<td>Machines process news feeds through algorithms in real time, without human intermediation</td>
</tr>
</tbody>
</table>

- **Smarter, Faster Machines**
  - Palantir

- **New market platforms**
  - ClauseHatch
  - LIQIETY
  - NOVUS

= Example application as per WEF (2015)

Disruptive innovations: Capital raising

Alternative platforms for crowdfunding allow individual investors to play a more important role in providing capital for investment opportunities.

<table>
<thead>
<tr>
<th>Crowd Based</th>
<th>Customisation</th>
<th>Empowering individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platforms provide a market place for individual investors to discover investment opportunities and invest directly and in common.</td>
<td>Platforms provide a number of customised parameters for businesses to adjust and easily design funding options.</td>
<td>Funding platforms leverage the expertise of lead investors by providing them with opportunities to gain additional income.</td>
</tr>
</tbody>
</table>


Raising Capital

Crowd-funding

Enterprises will increasingly interact with individual investors to widen options for raising capital.

Disruptive innovations: Implications

The traditional one-stop banking model will erode as technology and automation fundamentally change processes and customer interactions.

**Payments**
- Banks lose control over customers’ transaction experience as digital wallets consolidate digital payment platforms.
- The role of traditional banks diminishes, and margins on current payment transactions will need to be restructured as competitive pressure grows from alternative payment rails.
- Banks’ ability to leverage data on specific client segments and to partner with merchants will become critical to gaining a dominant share of wallets.

**Deposits and lending**
- Customers’ savings and credit portfolios become distributed over a large number of alternative platforms. Partnering with non-traditional players will be key to remaining competitive.
- Lenders will leverage lending platforms as short and medium-term investment vehicles, reducing the demand for traditional deposits and investment products.
- Financial products and services will be offered increasingly on a stand-alone basis, limiting banks’ ability to cross-subsidise competitively.

**Investment management**
- Advisory services and products will decouple as more customers switch to automated advisors for a more cost-effective service.
- As more processes are externalised banks will become more dependent on third parties and eventually lose the ability to develop a holistic view of operations.
- Standardisation and virtualisation by new entrants will make more services less profitable for traditional banks and intensify competition.

Disruptive innovations: Implications
Capital raising and market provisioning become more automated and transparent, leading to easier access and a more active customer

**Capital raising**

- Traditional banks will need to compete for investments against distributed platforms where investors can play more active roles.
- As individuals gain access to investment products better aligned with their needs and with a potential for higher returns, banks need to adjust their traditional investment product mix.
- With access to more diverse funding options, companies will be able to grow at a quicker pace, forcing banks to streamline their funding processes.

**Market provisioning**

- As banks’ role as counterparties diminishes, customer relationships based on advice becomes more important.
- Banks need to adapt their business models as the competition for speed in gathering, analysing and acting on data increases and the role of humans diminishes.
- With customers gaining improved visibility into market demand and supply, banks’ negotiating power will change, causing more efficient pricing.

... becomes easier to access through platforms that give customers a more active role.

... becomes more automated, reducing the role of humans; new platforms improve transparency.


*Swiss Banking Business Models of the future: Embarking to New Horizons* 25
Chapter 3
Which are the likely scenarios for the banking of tomorrow?
Likely scenarios: Overview
Three different scenarios of banking tomorrow can be identified, reflecting different ways in which disruptive innovations can have an impact.

1. **Banks domination**
   - Existing players will manage to protect their business model, supported by strict regulations and timely adoption of new technologies.

2. **Banking reinvented**
   - Banks that fail to adopt new technologies will be overtaken by new banks leveraging Finance 2.0* ideas and building on lean modern platforms.

3. **Banking ecosystem**
   - Disruptive entrants gain significant market share in some market segments and create an ‘ecosystem’ similar to the App-Store for iPhones.

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* Finance 2.0 is the next generation of financial services and the resulting changes in customer behaviour triggered by technological innovations.

Source: Deloitte scenario analysis
Likely scenarios: Details

The three scenarios can be analysed into sub-scenarios, showing how areas of banking might change for each of the main banking functions.

### 1. Banks dominance

- **Payments**
  - Customers prefer payment solutions that seamlessly link to their bank accounts.
  - Incumbent institutions provide leaner, faster payment options within the existing network.

- **Deposits and lending**
  - Traditional institutions absorb alternative platforms and build upon their trust.
  - Banks strengthen customer relationships beyond needs-based transactions.

- **Investment management**
  - Wealth managers focus on HNW clients.
  - Online tools serve mass affluent clients.
  - With the externalisation of core capabilities, human factors become differentiators.

- **Market provisioning**
  - Large players develop platforms to improve connectivity and efficiency between them.

- **Capital raising**
  - Peer-based funding platforms focus on investors with motives beyond financial return.

### 2. Banking reinvented

- **Payments**
  - One-click solutions favour a default card, driving consolidation of the payment market.
  - Incumbent institutions launch products connected to alternative payment schemes.

- **Deposits and lending**
  - Traditional institutions and alternative platforms cater to different customers.
  - New banks focus on account management and partner with alternative networks.

- **Investment management**
  - High-value services become commoditised and banks focus on bespoke services.

- **Market provisioning**
  - New platforms make counterparty selection more objective, empowering smaller institutions with less developed networks.

- **Capital raising**
  - Peer-based funding platforms focus on higher risk seed-stage companies, while banks provide later stage venture capital financing.

### 3. Banking ecosystem

- **Payments**
  - Digital wallets remove the limitation of large numbers of cards.
  - Incumbent institutions compete with an alternative network of financial providers.

- **Deposits and lending**
  - Alternative platforms successfully move upstream to replace traditional players.
  - Traditional players become product providers as new entrants own customer relationships.

- **Investment management**
  - Retail and social trading platforms compete directly with traditional wealth managers.

- **Market provisioning**
  - Platforms extend connections to individual investors and can act as market for specific assets.

- **Capital raising**
  - Peer-based platforms develop into alternative channels for larger companies to raise capital.

Likely scenarios: Implications

Key opportunities and threats cut across the five banking functions and influence the three scenarios from the perspective of a traditional bank

**Scenario 1: Banks domination**

- **Opportunities**
  - Established banks are becoming more active in **investing, implementing and acquiring** market connection platforms to stabilise the current market.
  - New financial products and services are creating uncertainty, fuelling regulators’ concerns and increasing entry barriers for disruptive entrants.
  - In competing against disruptive entrants, new technologies will improve the efficiency of established banks in meeting customers financial and non-financial needs, i.e., **bionomic advisors**.
  - Emerging innovations leverage computing power to **automate activities**, allowing them to offer **cheaper, faster and more scalable** alternative products.
  - Externalisation of processes will make it easier for new banking players to enter the market without significant infrastructure.
  - **Consumer functionalities** built on existing systems will result in meaningful changes to consumer behaviours and business models.

- **Threats**
  - Losing the ‘one-stop-shop’ market position and being reduced to ‘core banking platforms’ as implementation of new technologies becomes unaffordable.
  - Losing the innovation race against disruptive entrants due to the shortage and rising costs of well-educated IT employees.
  - Underestimation of the power of networks while the digital revolution largely ignores well-established rules and boundaries.

**Scenario 2: Banking reinvented**

- **Opportunities**
  - Emerging innovations allow banks to access **new data sets**, such as social data, that enable new ways of understanding customers and markets.
  - Externalisation of processes will make it easier for new banking players to enter the market without significant infrastructure.
  - **Consumer functionalities** built on existing systems will result in meaningful changes to consumer behaviours and business models.

- **Threats**
  - As customers consume services on an a-la-carte basis, banks will no longer own the majority of individuals’ financial data limiting their influence.
  - As banks evolve their offerings to stay more relevant to customers, they expand to less-defined areas. This creates risk and compliance issues.
Likely scenarios: Implications

Key opportunities and threats cut across the five banking functions and influence the three scenarios from the perspective of a traditional bank.

**Scenario**

**Illustration**

**Opportunities**

- Disruptive entrants are unable to develop a ‘killer app’ while traditional banks are able to develop and rapidly deploy new customer solutions, e.g. new skills, suppliers and partners.
- Early co-operations with specialised product and service providers will provide new ways to aggregate data, improving connectivity and reducing costs of participation in financial activities.

**Threats**

- Agility of new entrants becomes critical for reacting in a timely way to the uncertainties generated by regulators, amidst the shift towards automation and efficiency.
- Banks will participate actively in creating, funding, and acquiring innovative externalisation providers to sustain scale-driven advantages.
- The role of in-person advisers will become more critical as competition intensifies and services become more digital and automated.
Chapter 4
What is the impact on banks’ business models?

1. Key trends impacting banking
   - Pages 7-16

2. Disruptive innovations reshaping banking
   - Pages 17-25

3. Likely scenarios for banking tomorrow
   - Pages 26-30

4. Future business model choices
   - Pages 31-38

5. Actions to be taken
   - Pages 39-42
Business models: Disaggregation of value chain

Key trends and disruptive innovations drive the disaggregation of the value chain through greater standardisation.

Evolution of the value chain

- Banking has **traditionally been an integrated business**, where financial institutions have distributed self-developed products through **proprietary channels** and have fulfilled all transaction and **support services in-house**.
- The value chain components each follow a different **economic logic** and has different technological and procedural requirements. Thus disaggregation is a natural progression if **interfaces** are sufficiently **standardised**.
- **Disruptive innovations** combined with standardisation of processes and services facilitate the trend towards **value chain disaggregation**, creating benefits of scale or scope to the specialised firms.
Business models: Overview

Banks need to consider their internal capabilities and external factors, and choose between pure play business models or hybrid ones.

**Challenges**
- Increased cost pressure
- Disaggregated value chain (standardisation)
- New, agile entrants
- Accelerated innovation cycles
- More sophisticated and thus more demanding clients

**Business models**

![Diagram showing banking value chain with roles and functions]

Hybrid models will co-exist with pure-play business models, if the bank is able to create a strategic differentiator from managing the interface between client relationship, product development or transaction processing.
Business models: Trusted Advisor (TA)
Banks becoming a ‘trusted advisor’ will focus on exploiting economies of scope through gaining a high share of their client’s wallet

Value proposition
- Trust-based holistic advisory services in financial related (and complementary) matters for end-clients (going beyond pure investment or transaction advisory services but including value-add services).
- Tailored service offering based on extensive understanding of client needs and behaviours.
- Product portfolio encompasses a broad range of own and third party products and services (open architecture).
- Service offering beyond pure financial need, e.g. concierge services, financial education.

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>Key activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Clients with limited time or financial know-how</td>
<td></td>
</tr>
<tr>
<td>• Clients who seek high end professional financial advice (investment, tax, financing)</td>
<td></td>
</tr>
<tr>
<td><strong>Customer relationship</strong></td>
<td><strong>Key resources</strong></td>
</tr>
<tr>
<td>• Building long lasting client relationships based on institution’s trust and reputation</td>
<td></td>
</tr>
<tr>
<td>• Maintaining personal networks</td>
<td></td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td><strong>Key partners</strong></td>
</tr>
<tr>
<td>• Integrated and seamless omni-channel approach across branches, web, mobile and phone</td>
<td></td>
</tr>
<tr>
<td>• Offering direct access to client advisor and product specialists</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue streams</strong></td>
<td><strong>Cost structure</strong></td>
</tr>
<tr>
<td>• Advisory fees (asset based/time based/fixed fees)</td>
<td></td>
</tr>
<tr>
<td>• Net interest income</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Superior client experience (customer-comes-first focus)</td>
<td></td>
</tr>
<tr>
<td>• Trusted advisor for clients</td>
<td></td>
</tr>
<tr>
<td>• Pool of specialists/experts</td>
<td></td>
</tr>
<tr>
<td><strong>Customer segment</strong></td>
<td><strong>Key resources</strong></td>
</tr>
<tr>
<td>• Tailoring services and products to individual client needs</td>
<td></td>
</tr>
<tr>
<td>• Investing in customer experience and adjacent services</td>
<td></td>
</tr>
<tr>
<td>• Conducting smart omni-channel management</td>
<td></td>
</tr>
<tr>
<td><strong>Customer relationship</strong></td>
<td><strong>Key partners</strong></td>
</tr>
<tr>
<td>• Client specialists (with strong networks) and product experts</td>
<td></td>
</tr>
<tr>
<td>• Open product architecture platform</td>
<td></td>
</tr>
<tr>
<td>• Advanced analytics for risk-/need-based proposal generation</td>
<td></td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td><strong>Cost structure</strong></td>
</tr>
<tr>
<td>• Service providers adjacent to banking services (e.g. tax experts, lawyers, concierge services)</td>
<td></td>
</tr>
<tr>
<td>• Specialist product providers</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue streams</strong></td>
<td><strong>Strengths</strong></td>
</tr>
<tr>
<td>• Higher operating costs (less standardised services and salary costs with high success-based component for relationship managers)</td>
<td></td>
</tr>
<tr>
<td>• High customer acquisition costs</td>
<td></td>
</tr>
<tr>
<td>• Limited in-house processing and product development know-how</td>
<td></td>
</tr>
</tbody>
</table>
Business models: Product leader (PL)

Banks choosing to become a ‘product leader’ will focus on developing innovative products to gain market share quickly and at premium prices.

**Value proposition**
- Development and offering of attractive new products and services for existing and new clients.
- Rapid time-to-market for innovative products and services, seeking first mover advantage.
- Superior insights into technological and/or financial engineering developments.
- Capability to translate client needs into new products.

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>Key activities</th>
<th>Key resources</th>
<th>Key partners</th>
<th>Cost structure</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own or third party financial services provider clients</td>
<td>Research and product development</td>
<td>Creative product experts and proficient research department</td>
<td>FinTech providers</td>
<td>High fixed costs (agile multi-purpose technology)</td>
<td>Innovation driven model</td>
<td>Limited efficiency</td>
</tr>
<tr>
<td>Professional investment firms (e.g. insurances, pension funds, external asset managers)</td>
<td>Trend spotting/identification of end-client needs</td>
<td>Strong marketing department</td>
<td>Research boutiques and innovative think tanks</td>
<td>High operating costs (non-scalable product development and research costs)</td>
<td>Ability to generate a premium price</td>
<td>Low barriers to entry (competition)</td>
</tr>
<tr>
<td>Maintaining B2B partnerships (tailored product development)</td>
<td>Recruiting and retention of specialist talents</td>
<td>Agile multi-purpose processing system</td>
<td>Transaction champions</td>
<td></td>
<td>Agility (short time to market)</td>
<td>Dependence on key talents</td>
</tr>
<tr>
<td>Leveraging brand, reputation and performance as quality certificate to gain new clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third party distribution channels (e.g. EAMs, other banks, other banks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eChannel</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Standardised interfaces with B2B partners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees (via product)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction fees</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Advisory fees/subscription fees</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Business models: Transaction champion (TC)

Banks choosing the business model ‘transaction champion’ will focus on exploiting economies of scale through partnering with other providers

**Value proposition**
- Standardised offering at low cost to end-clients and third party banks and non-banks.
- Offering white label solutions.
- Acting as consolidator of transactions and/or custodian for deposits and securities (leveraging economies of scale).
- Providing access to financial network (correspondent bank).
- Outsourcing provider for services which require a banking licence or specialist knowledge which pure-play outsourcing providers cannot offer (e.g. acting as banking platform for non-traditional financial services providers).

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>Key activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate or private clients seeking cost-efficient offerings</td>
<td>Acquisition of new clients/business volume to achieve scale</td>
</tr>
<tr>
<td>Clients of non-traditional financial services provider</td>
<td>Continuous industrialisation of own offering</td>
</tr>
<tr>
<td>Banks lacking the scale to maintain cost-efficient operations</td>
<td>Agile adoption of new banking services/standards</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer relationship</th>
<th>Key resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnering with smaller banks and non-traditional financial services providers as a processing expert</td>
<td>Efficient and agile processing system</td>
</tr>
<tr>
<td>Seamless integration of own services into clients’ offering</td>
<td>Banking processing, industry and technology experts</td>
</tr>
<tr>
<td></td>
<td>Key account managers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Channels</th>
<th>Key partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardised interfaces (e.g. APIs)</td>
<td>3rd party financial services providers requiring banking partner</td>
</tr>
<tr>
<td>Self service web, mobile applications, call centres</td>
<td>Global correspondent banks</td>
</tr>
<tr>
<td>Key account management</td>
<td>Product leaders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue streams</th>
<th>Cost structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction fees; or</td>
<td>High fixed costs (heavy investment in technology and processing capabilities)</td>
</tr>
<tr>
<td>Revenue-based fees (percentage of partner’s revenue); or</td>
<td>Low variable (operating) costs due to scalable processing</td>
</tr>
<tr>
<td>Fixed service fees</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior and efficient, integrated processing capabilities</td>
<td>Risk of commoditising own offerings</td>
</tr>
<tr>
<td>Economies of scale</td>
<td>Limited brand awareness of end-clients</td>
</tr>
<tr>
<td></td>
<td>Limited ability to offer customised solutions</td>
</tr>
</tbody>
</table>
## Business models: Managed Solution provider (MS)

Banks becoming a ‘managed solution provider’ will focus on building economies of scale through providing banking solutions to other providers.

### Value proposition
- Specialist offering to banks and non-bank providers allowing them to break up their internal value chain.
- Acting as expert within specific areas allowing clients to source capabilities rather than building them in-house.
- Offering white label solutions.
- Enabling institutions to source complete solutions rather than single services.
- Solutions can range from regulatory insights, specialised investment advice as well as non-core processes, e.g. KYC, Tax, Payment.

### Customer segment
- Banks or other third party financial services provider clients
- Professional investment firms (e.g. insurances, pension funds, external asset managers)

### Key activities
- Acquisition of new clients/business volume to achieve scale
- Continuous industrialisation of own offering
- Identification of client as well as end-client needs

### Key resources
- Deep specialised experts
- Banking industry and technology experts
- Key account managers

### Key partners
- Providers of specialist expertise
- Transaction champion

### Channels
- Standardised interfaces with B2B partners
- Key account management

### Revenue streams
- Transaction fees; or
- Revenue-based fees (percentage of partner’s revenue); or
- Fixed service fees

### Cost structure
- High fixed costs (heavy investment in technology and processing capabilities)
- Low variable (operating) costs due to scalable processing

### Customer relationship
- Maintaining B2B partnerships
- Leveraging reputation as well as potential efficiency gains to expand client base

### Key partners
- Providers of specialist expertise
- Transaction champion

### Strengths
- Transforming upcoming client needs into intelligent solutions
- Economies of scale within a specific area of expertise

### Weaknesses
- Risk of commoditising own offerings
- Limited brand awareness of end-clients
- Dependence on specialised experts

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Swiss Banking Business Models of the future: Embarking to New Horizons

37
Business models: Universal bank (UB)

Banks choosing to become a ‘universal bank’ must achieve scale in all their business lines to achieve low cost levels and overall efficiency

**Value proposition**
- Full product offering across several industry sectors, i.e. retail, private, corporate and investment banking as well as asset management.
- Seamless control over front-to-back processes (integrated value chain) providing greater flexibility to tailor to client needs.
- Diversified business mix in principle will reduce volatility of earnings.
- Offering sophisticated products and services, leveraging capabilities across business divisions.

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>Key activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>End-clients across client segments including private clients institutional and corporate clients</td>
<td>Allocation of resources</td>
</tr>
<tr>
<td>Third party banks</td>
<td>Advisory, transaction processing and product development</td>
</tr>
<tr>
<td></td>
<td>Commercialisation of own capabilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer relationship</th>
<th>Key resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being ‘one-stop-shop’ for clients</td>
<td>Client relationship managers</td>
</tr>
<tr>
<td>Brand and reputation (stability)</td>
<td>Banking processing experts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Channels</th>
<th>Key partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>All channels</td>
<td>Third party product providers</td>
</tr>
<tr>
<td></td>
<td>Outsourcing providers/transaction champion</td>
</tr>
<tr>
<td></td>
<td>Network with similar provider</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue streams</th>
<th>Cost structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>Very high fixed costs due to branch structure and technology (if not outsourced)</td>
</tr>
<tr>
<td>Transaction fees</td>
<td></td>
</tr>
<tr>
<td>Advisory fees</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control over a large part of the value chain</td>
<td>Sufficient scale required to meet acceptable cost margins</td>
</tr>
<tr>
<td>High share of customers’ wallets (insights into clients’ needs)</td>
<td>Lack of focus, competing priorities and conflicts of interests</td>
</tr>
<tr>
<td>Opportunity to optimise use of balance sheet</td>
<td>Capital-intense</td>
</tr>
</tbody>
</table>
Chapter 5
Which actions should banks take now to prepare for the future?

1. Key trends impacting banking
   Pages 7-16

2. Disruptive innovations reshaping banking
   Pages 17-25

3. Likely scenarios for banking tomorrow
   Pages 26-30

4. Future business model choices
   Pages 31-38

5. Actions to be taken
   Pages 39-42

raises question of
**Actions: Approach**

Each scenario may impact the business model differently. Strategic choices should leverage strengths and address weaknesses.

**What business model is aspired to?**

**What are the strategic choices?**

**What are the influencing factors?**

Decide which components of the disaggregated value chain can be divested, based on internal capabilities.

Assess the influence of each scenario on the chosen business model.
**Actions: Strategic options**

Depending on the chosen business model, banks have different strategic options to choose from today in order to prepare for tomorrow.

<table>
<thead>
<tr>
<th>Trusted advisor</th>
<th>Product leader</th>
<th>Transaction champion</th>
<th>Managed solutions</th>
<th>Universal bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA</td>
<td>PL</td>
<td>TC</td>
<td>MS</td>
<td>UB</td>
</tr>
<tr>
<td>• Break up value chain focusing on distribution</td>
<td>• Break up value chain focusing on product development</td>
<td>• Invest in scale</td>
<td>• Break up value chain focusing on support functions</td>
<td>• Invest in scale</td>
</tr>
<tr>
<td>• Review pricing</td>
<td>• Push white labelling</td>
<td>• Absorb alternative platforms</td>
<td>• Invest in complete and customisable support offering</td>
<td>• Determine smart capital allocation</td>
</tr>
<tr>
<td>• Partner with non-traditional players</td>
<td>• Invest in time-to-market</td>
<td>• Focus on core offering</td>
<td>• Strengthen technical expertise</td>
<td>• Commercialise front-to-back operations</td>
</tr>
<tr>
<td>• Invest in customer experience</td>
<td>• Maintain highly sophisticated research</td>
<td>• Explore new candidates for commodity services</td>
<td>• Collaborate with existing banking players</td>
<td>• Lean operations are important</td>
</tr>
<tr>
<td>• Promote trust rather than products</td>
<td>• Acquire financial start-ups</td>
<td>• Position brand among end customers</td>
<td>• Invest in shared solutions to reduce cost bases of support services</td>
<td>• Ability to absorb/copy disruptive entrants</td>
</tr>
<tr>
<td>• Manage inter-generational relationships</td>
<td>• Invest in innovation</td>
<td>• Shape innovative offerings</td>
<td>• Position specialised support services among new entrants to achieve necessary scale</td>
<td>• Be very good at make or buy decisions</td>
</tr>
<tr>
<td>• Enable omni-channel interaction</td>
<td>• Position brand among end customers</td>
<td>• Push customer analytics</td>
<td>• Ensure cost-efficient services against in-house solutions</td>
<td>• Standardise IT</td>
</tr>
<tr>
<td>• Promote open architecture</td>
<td>• Increase indirect channel via alternative providers</td>
<td>• Push brand</td>
<td>• Transform upcoming client needs into intelligent solutions</td>
<td>• Leverage scale to build up/acquire disruptive entrants (similar to Pharma)</td>
</tr>
<tr>
<td>• Focus on bespoke services</td>
<td>• Build up distribution network</td>
<td>• Emphasise tailor-made servicing</td>
<td>• Maintaining B2B partnerships</td>
<td>• Standardise IT platform</td>
</tr>
<tr>
<td>• Emphasise tailor-made servicing</td>
<td>• Offer holistic advice in partnership with new players</td>
<td>• Offer own B2B capabilities to new entrants</td>
<td>• Enabling sourcing of complete solutions</td>
<td>• Leverage scale to build up/acquire disruptive entrants (similar to Pharma)</td>
</tr>
</tbody>
</table>

**Implications in all scenarios**

1. **Banks domination**
   - Embarking to New Horizons

2. **Banking reinvented**
   - Embarking to New Horizons

3. **Banking ecosystem**
   - Embarking to New Horizons

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Swiss Banking Business Models of the future Embarking to New Horizons 41
Actions: Next steps

Assessing own capabilities, preparing for the unavoidable changes and defining the future business model are the next steps ahead of banks

01/

Assess your bank’s internal capabilities against competitors’ capabilities
How do your bank’s capabilities compare against capabilities of your peers? What are your bank’s strengths and weaknesses?

02/

Prepare for the unavoidable (scenario-independent) implications
Which changes in the financial services industry will impact your bank the most? What measures can your bank take to be prepared?

03/

Define your future business model and tailor to the likeliest scenario
Considering your bank’s capabilities and the likeliest scenario, which business model is most promising for your bank?
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