







TrendRadar: The Future of Banking



Table of contents

| | | |
|--|--|----|
|  | Key findings | 3 |
|  | Trend monitoring – a necessity for businesses | 4 |
|  | The three-step procedure of the TrendRadar | 5 |
|  | TrendRadar and trends in the future of banking | 8 |
|  | Are you prepared for the latest trends? | 29 |
|  | Contacts and authors | 30 |

Acknowledgements

For this report, we completed a series of interviews with industry professionals and business executives. We would like to express our sincere thanks to the participants for sharing their knowledge and expertise.



Key findings

What is the future of banking? Banking has already undergone profound changes in the past few years. And yet, somehow, the future has still not quite arrived. It is a work in progress and will remain so forever, since change is ongoing. There is a bewildering number of changes happening in banking and the pace of change has accelerated. There are both challenges and opportunities and together they will shape the future of banking.

TrendRadar: The future of banking provides a systematic overview of the most relevant trends in the banking industry. It is based on a screening of industry trends, their assessment by banking experts, and it categorises the identified trends by different levels of urgency. It answers questions such as: What is happening? How important are these trends, and what impact will they have? And when are trends expected to become relevant, not for pioneers, but for the average market participant?

This TrendRadar identifies seven broad trend areas (so-called megatrends), comprising 30 concrete trend manifestations (macrotrends). The megatrends include technology, such as AI and data era or seamless commerce. They include changing client segments and demands ('connected clients'), future banking products, the skillsets needed to offer them ('future skillsets'), increasing regulation, and societal changes ('green and woke culture').

Not all of these trends are equally important to all market participants. Some, by nature of their business, will be seen differently by retail banks and private banks. Others will be seen differently because of differing strategic decisions. But all need to be evaluated and a

strategic decision needs to be made about how to react to them. Does a bank want to be a first-mover into ecosystems, for example, or a fast-follower, or not move at all for now? Why and how does it relate to the wider business strategy?

Banking executives have a lot on their plates: 14 macrotrends are identified as those where banks have to act now. These are trends that will become mainstream soon and that will have a very big impact on banking. These include areas, such as aligning to international regulations or providing holistic (cyber) security, where banks simply cannot allow themselves to fail. These areas nevertheless provide competitive advantages for banks who see them as opportunities for innovation and growth. This is perhaps especially apparent in the 'Trust and data privacy' trend. By combining full compliance in all regulations with highest data privacy standards, Swiss banks could create a very attractive unique selling proposition, the global 'platinum standard' for banking secrecy and privacy.

Other trends to act on now include innovative areas, such as offering a seamless hybrid banking experience, especially important in the wake of the pandemic, and the rise of digital banking. Another example is cloud in banking, a trend intimately related with data security and privacy questions.



Trend monitoring – a necessity for banks

At one time banking was seen, by some people at least, as an industry that changed only slowly, and changes that did happen were in the wrong direction. In 2009 [Paul Volcker](#) quipped that the “the ATM has been the only useful innovation in banking for the past 20 years”. That was not quite true back then – as for example the introduction of online banking and automated payment processes show (but to be fair, he was berating the banking industry for the financial crisis and the role of newly created instruments such as credit default swaps).

Digital payments made a decisive leap for example. You can pay with your mobile now, not only in urban areas. As well as sending payments to your friends, you can also pay by mobile at many self-service honesty shops selling farm products in remote mountain locations, all with the same app. Digital user interfaces can now do what was only promised before, for example to open a Swiss bank account entirely digitally, in about 10 minutes, without talking to anyone. Entirely new product categories have been created, such as cryptocurrencies and [NFTs](#) and even if not everyone likes them, they are new and widely known.

Traditional banks have not been at the forefront of involvement in these new developments, and it is mostly new entrants that have disrupted the market (although there are some exceptions such as in the payments area). This highlights the importance for banks of the need to increase their efforts at innovation.

The pandemic accelerated already existing transformation plans and the acceptance of digital banking by many clients, [boosting the digitalisation of banking](#) in Switzerland.

Technological trends are only part of the trend landscape that is driving the future of banking. New client segments and demands, regulation, societal trends, new products – all these trends interact, creating a multitude of changes that banks need to be aware of.

It is therefore more important than ever for banks to identify the important trends, to avoid the risk of missing out on a competitive advantage or losing ground to competition. Competition can of course come from a traditional competitor or from outside banking, for example a tech company offering select banking services. Banks that are always up to date and aware of the relevant trends and their development can react proactively, identifying opportunities and, if necessary, adapting their strategy.



The three-step procedure of the TrendRadar

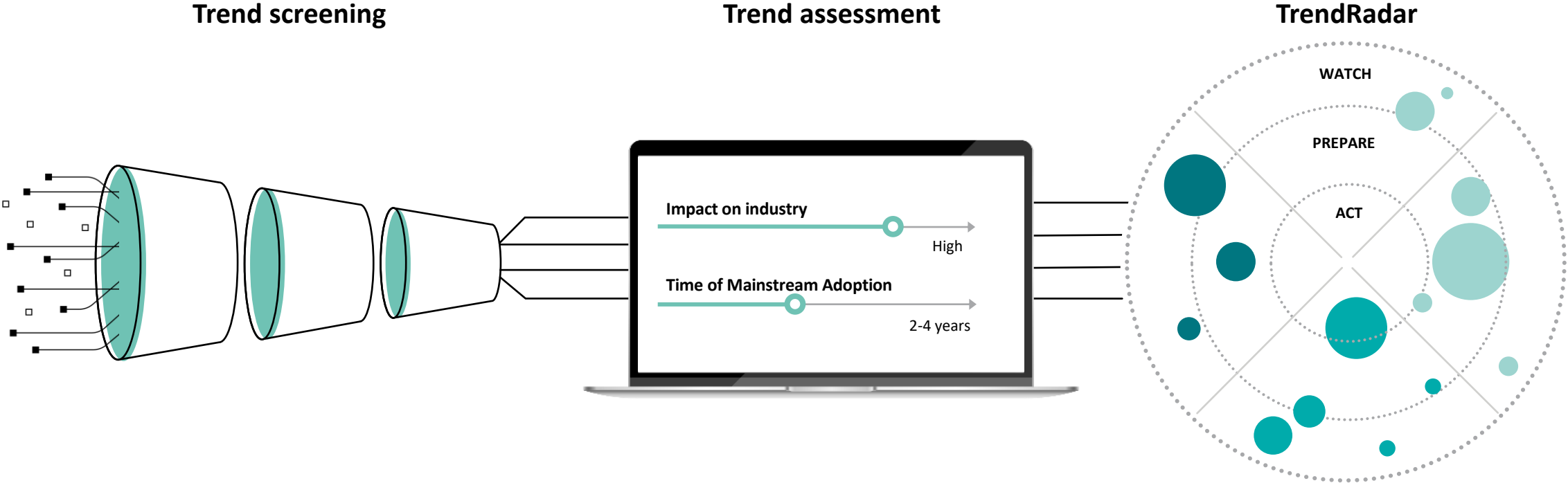


Figure 1 – The three-step procedure of the TrendRadar



The three-step procedure of the TrendRadar

1. Trend screening

Identifying existing trends and their impact on a specific industry is an essential task, which we have carried out through desk research, using a trend database (TrendManager by TrendOne), and by interviewing various industry experts. The trends fall into a hierarchy with three levels: mega, macro, and micro trends. Macro trends derive from micro trends and are in turn grouped into mega trends. The TrendRadar (see p. 8) focuses on mega and macro trends.



Mega trends describe structural changes in society. They provide information about which developments have a long-lasting influence on society.



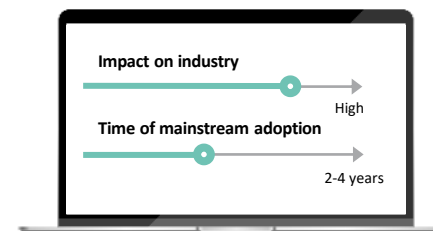
Macro trends are the concrete variations of a mega trend. They describe different aspects and facets of a mega trend.



Micro trends are the building blocks for macro trends. They are the first concrete signs of emerging trend movements or use cases. Micro trends can be trend-setting technologies, products or services, or new marketing innovations.

2. Trend assessment

The trends were assessed against two criteria: the impact on industry and the time of mainstream adoption.



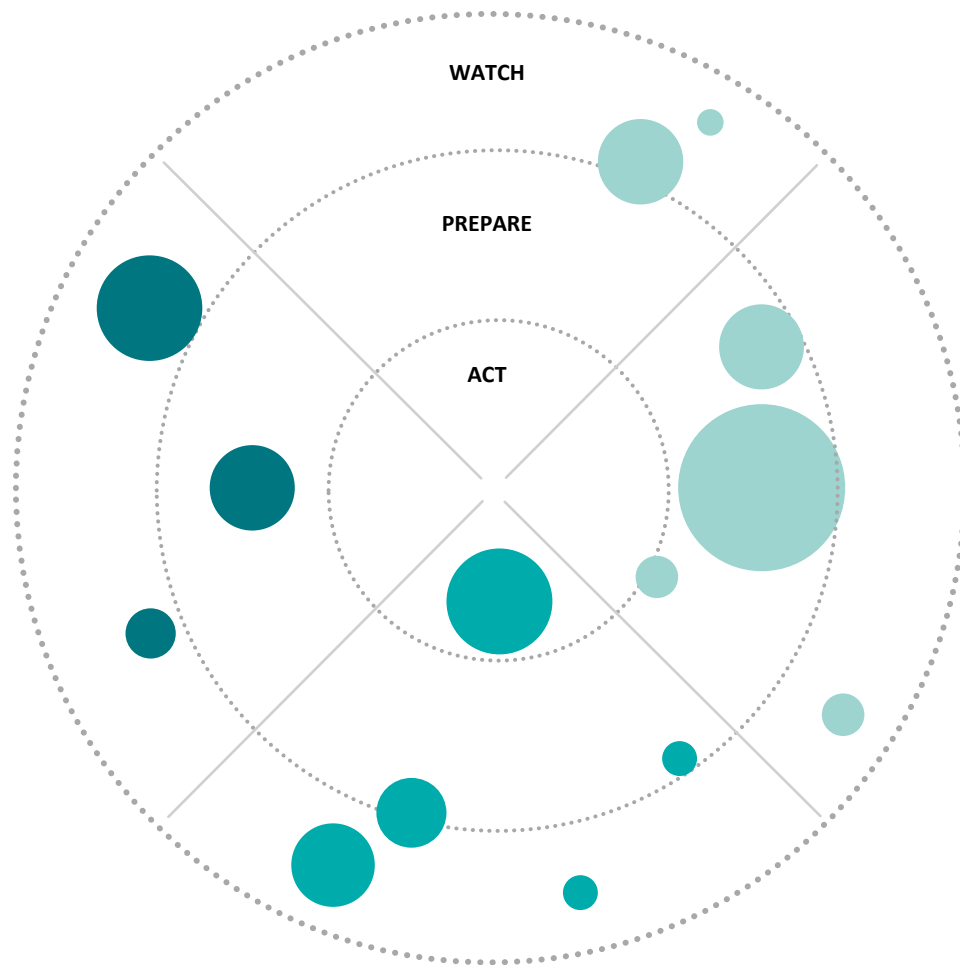
The criterion **Impact on Industry** describes the strength of the influence that the trend currently has or is expected to have. Trends can have an impact on different levels of an industry, such as market offerings (products and services), company processes or employees and customers. A trend is rated on a scale from very low to very high impact on industry.

The criterion **Time of mainstream adoption** assesses when the trend is likely to be adopted by most market participants within the industry. The time scale goes from “0-2 years” to “10 years plus”.

The trend assessment was conducted by Deloitte professionals and external industry experts.



The three-step procedure of the TrendRadar



3. TrendRadar

The TrendRadar is a visual representation of the trend assessment and categorises trends in three areas: Act, Prepare and Watch.

Act: Trends have a 'high' to 'very high' impact on the industry. The date of mainstream adoption is expected in the near future or has happened already. If companies have not yet reacted to these trends, it is high time to act now.

Prepare: Trends have at least a medium impact on the industry and a medium timeframe for mainstream adoption, but are not 'high' in both criteria, such as they are in Act trends. For these trends, companies should actively prepare.

Watch: Trends either have a 'very low' or 'low' impact on the industry, or their mainstream adoption is not expected in the near future. Trends in this category should be on the watch list.



TrendRadar and trends in the future of banking

The *TrendRadar: Future of Banking* contains 30 macro trends that group into seven mega trends. The mega trends are in coloured boxes on the rim, while the macro trends are in the area towards the middle.

Banking executives have a lot on their plates: 14 macro trends are identified as those where banks have to act now – trends that will become mainstream soon and that will have a very high impact on banking. Another 14 trends are in the ‘Prepare’ category and two are in ‘Watch’.

The exact position of a macro trend within Act, Prepare, or Watch does not provide additional information but was chosen to fit the overall optics of the TrendRadar.

In the following pages, each mega trend and its macro trends are described, including the assessment of impact on industry and time of mainstream adoption.

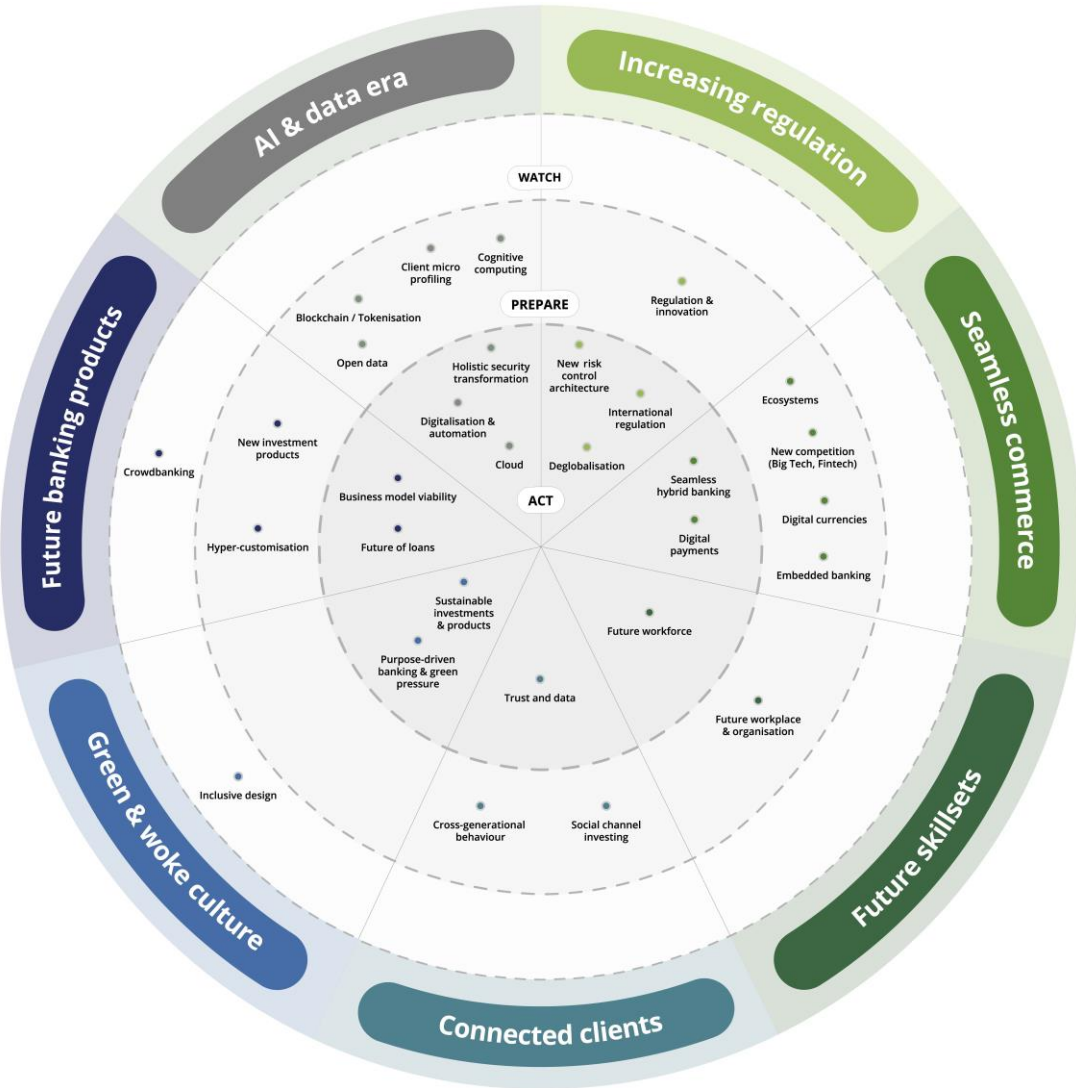
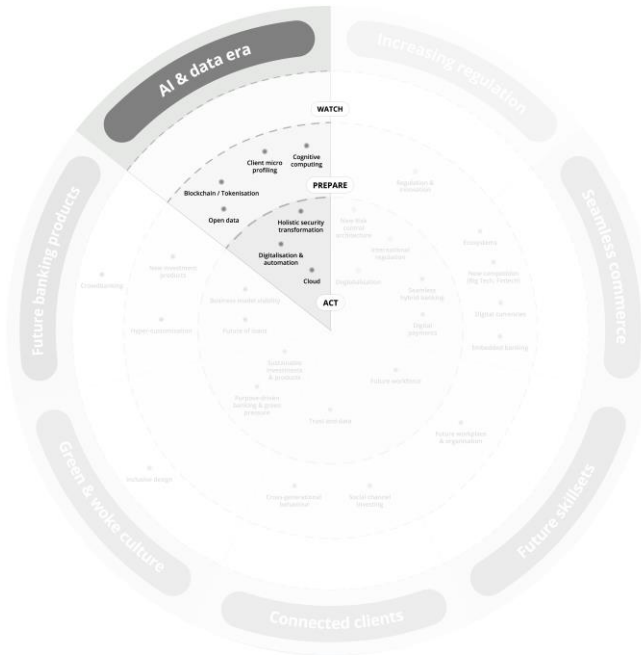


Figure 2 – TrendRadar: Future of Banking



AI & data era



Banking is about relationships, but banking is also about data. A large part of your wealth is likely to be intangible, a set of numbers stored digitally. The future of banking in many ways is developing the digital part, from pushing E2E digitalisation to AI applications, blockchain and cloud. And while pushing the boundaries opens new and exciting opportunities, security and client preferences must remain at the heart of banking. After all, banking is about trust, both in personal as well as digital interactions.



Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption



E2E digitalisation and process automation

Process digitalisation and automation has been high on the agenda for banks for a long time. Despite being prioritised for a long time, progress is ongoing. Implementation in practice is complicated firstly by the fact that it is deeply related to process optimisation. It is also hindered, among other things, by legacy IT systems, insufficient training in IT skills, and manual controls, which might complicate comprehensive digitalisation projects. For some client segments, E2E digitalisation may also not be desirable, as for example a HNWI might wish to open a client relationship with a private bank in person (and style). Overall, however, the focus for digitalisation and automation is on implementation and execution, and the quality thereof.



AI & data era



Cognitive computing

In contrast to E2E digitalisation, which is mostly about implementation, cognitive computing (AI) is about pushing the boundaries, finding new use cases, and improving existing digital processes. This trend includes various AI technologies, such as deep learning, smart data, predictive analysis, and AI applications such as AI assistants.

AI applications are increasingly embedded in office applications as well as client offerings. For example, several banks offer automated investment advice, either [directly](#), potentially in combination with an AI-powered [chatbot](#) or in [combination](#) with active personal investment advice. Internationally AI is also being used to [assess credit worthiness](#), for example.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



Holistic security transformation

This trend describes the emergence of new digital threats that are more complex and volatile, leading to a paradigm shift and a new definition of threats and security issues. It looks at (cyber) security from a holistic perspective that includes several dimensions:

- Both technology and employee considerations
- Third-party risks, (software) vendors, entire supply chain
- Resilience and recovery

Ensuring security is obviously a core requirement for banking, with a very high impact on the industry. It is also an ongoing challenge. Banking experts we interviewed for this report were confident about the high quality of their efforts, while conscious nonetheless that these need to be maintained at all times.

Trend assessment



ACT

Impact on industry

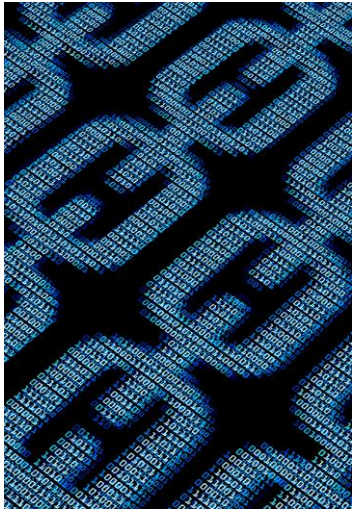


Time of Mainstream Adoption





AI & data era



Blockchain technology / Tokenisation

This trend includes distributed ledger and blockchain applications in general, with the exception of crypto currencies (which are covered in the 'Digital currencies' trend). The focus therefore is on platforms such as [Ethereum](#), as a decentralised application platform.

There is a split in opinion about how useful this technology might be. On the one hand several experts we spoke to found the technology immature, expensive and cumbersome, offering little advantage over existing digital technologies. Others are investing heavily in blockchain applications and point towards blockchain projects coming on stream, for example in trading and settlement, such as [tokenising private company shares](#).

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



Decentralised computing / Cloud

Cloud is a huge topic in banking at the moment, which is reflected in its very high impact score. Unlike decentralised cloud computing, data storage, software applications and services are run in the network rather than on local computers.

There are major questions relating to the use of cloud in banking, and questions of implementation. Which applications should move to the cloud (office applications for employees, or client relationship tools?) and how much? And which client data should be stored where, locally, or in the cloud in Switzerland, or can some client data (with permission) also be stored abroad? Should a private cloud be used or a public cloud? Implementation needs to adhere to all regulations, and client preferences need to be taken into account as well (see trend 'Data and trust').

Trend assessment



ACT

Impact on industry

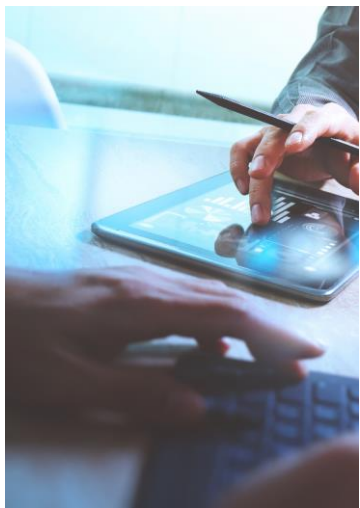


Time of Mainstream Adoption





AI & data era



Client micro-profiling

Micro-profiling of clients via data analytics is far more detailed and individual than more traditional segmentation in broad groups. With the help of micro-profiles, financial service providers can tailor their products more closely to their customers preferences. In addition, it is possible to influence the behaviour of specific individual consumers with marketing campaigns that are tailored to their customer profile.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



Open data

Open data in banking involves the ability to share financial data across financial institutions with limited effort or manipulation, through a digital ecosystem. Making data openly accessible and free for all to use is intended to enable greater transparency and better collaboration. Open data is being pushed in several countries, such as the EU and the UK, and there already new or improved service offerings making use of open data, such as in payments. In Switzerland open data is not yet mandated and there is a split in opinion about how important and useful it is. One potentially useful idea is a protected central repository for all relevant client data to facilitate onboarding, just like credit scoring of individuals exists in certain countries.

Trend assessment



PREPARE

Impact on industry

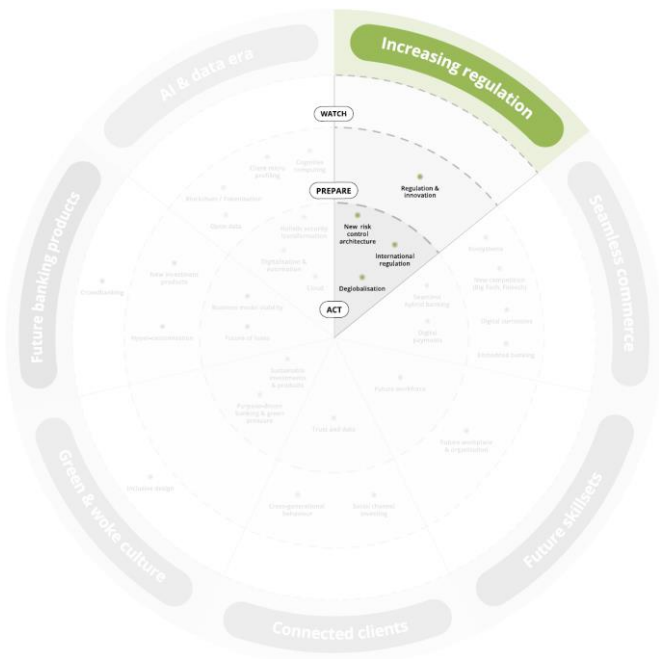


Time of Mainstream Adoption





Increasing regulation



Since the financial crisis of 2008, regulators all over the world have been imposing more measures on financial services institutions in order to ensure their stability and resilience during a crisis. While that effort is still ongoing, regulatory attention is focusing more on digital technology, and regulatory divergence / deglobalisation is increasing.



Aligning to international regulation

International regulation and the need to ensure compliance, affecting Swiss banks operating internationally as well as through its influence within Switzerland. Compliance with regulations is now largely considered business as usual. The challenge today is how to make the risk and compliance functions of banks more efficient to handle regulation. The streamlining of processes, automation and adoption of technology are the key challenges faced by banks.

Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption





Increasing regulation



New risk control architecture

Stricter risk-related regulations as well as advancing technologies make firms allocate more resources and develop and implement technological solutions to streamline risk control processes and reduce bias. The focus today is on optimising the risk and compliance functions. With increasing digitalisation, new technology and products, risk control systems must also develop further. This looks likely not only to be increasingly demanded by legislators and regulators, but also to change customer expectations. At the same time, the automation of risk control and compliance systems offers the opportunity for both better and more timely controls while at the same time promising costs savings.

Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption



Interplay regulation and innovation

With increasing digitalisation, new asset classes and non-banks offering select banking services, regulatory attention is increasing on new technologies and offerings. Regulation can hinder innovation, most drastically by outlawing or making difficult certain technologies. Regulation can also further innovation, however, by allowing banks and other companies to utilise new technologies legally in their offerings or processes, such as digital client onboarding or a digital identification card, the later of which is currently being discussed in Switzerland. Crypto assets are another example: with the recent failure of FTX, it is becoming increasingly clear that the crypto asset space and the underlying distributed ledger technologies would benefit from regulation in order to avoid excess and provide credibility.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption





Increasing regulation



Regulatory divergence / deglobalisation

Deglobalisation started before the outbreak of war in Ukraine. The geopolitical tensions between China and the US and the COVID pandemic have accelerated the pace of deglobalisation, and we are seeing the emergence of regionalism. Moreover, financial regulators, when putting new bank regulations in place to protect consumers, have often also increased trade barriers. Examples of this are the EU cross-border regulations for wealth management and MIFID II. This includes client services, but might also extend to technology, if countries force banks to use their national tech infrastructure to service clients of their own nationality. Few countries require this as of yet, but Switzerland is a case in point, with banking secrecy rules that make it more complicated (albeit not impossible) for banks to host client data abroad.

Trend assessment



ACT

Impact on industry

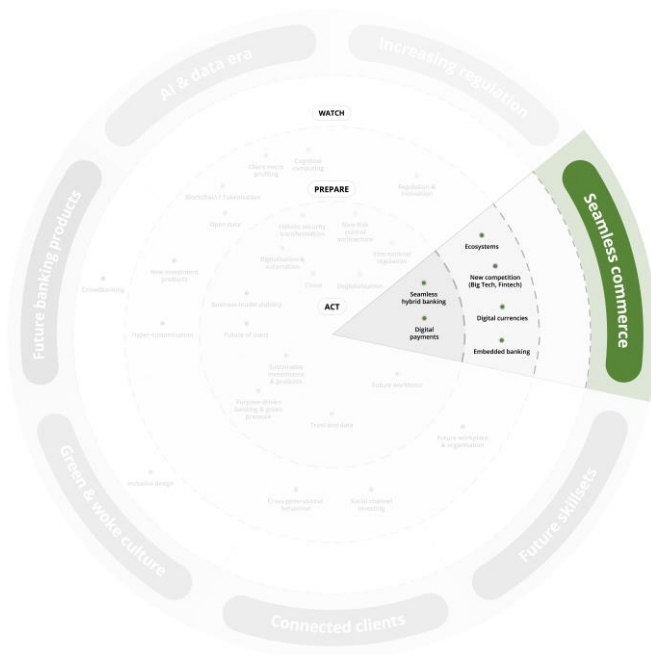


Time of Mainstream Adoption





Seamless commerce



The pandemic has highlighted the need for seamless omni-channel banking and has developed further digitalisation in banking, digital banking products and tools, and the move towards banking ecosystems. More digitalisation means more competition from new digital-native providers, Big Tech and Fintech companies.



Seamless hybrid banking experience

To create a seamless customer experience, internal bank processes and services must be integrated as harmoniously as each step on the customer side for both digital customer and hybrid branch-digital experience. The pandemic [boosted digitalisation](#) of banking in Switzerland, but at the same time showed the limits of digital offerings. Not every client prefers every service in digital form. Digitalisation offers a good opportunity to make savings in volume business while also providing hybrid solutions for services that need intensive customer advice. The online and in-branch elements of such hybrid solutions must function seamlessly. While hybrid offerings and improved user experiences are becoming common, an ongoing challenge is making execution excellent, as well as making the UX truly seamless.

Trend assessment

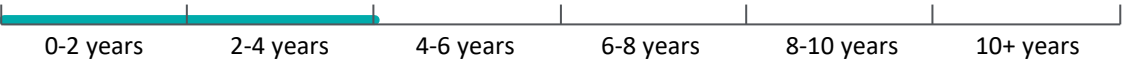


ACT

Impact on industry



Time of Mainstream Adoption





Seamless commerce



Embedded banking / invisible banking

Banking services embedded in non-bank services, offering banking as a service, with the banking services running in the background, invisible to the client. However, it risks turning bank services into a commodity and losing the client interface and relationship and with it a decisive competitive advantage, depending on bank strategy. Banks will need to make a strategic choice about where to play and where to focus. An example is automated payment in the background for taxi services via an app. Another example is fully automated supermarkets, in which customers do not have to queue and pay at the end of shopping: the payment happens automatically without involvement of the customer. Overall, embedded banking might extend to payments services, lending or savings, for example and might thus be implemented across most retail banking services.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



Ecosystems

Platform banking enables third party companies and individual contract partners to form a digital ecosystem to jointly deliver client services. Client-facing examples include integrating payment apps or cashback and discount schemes. Banking ecosystems include among others FinTech and BigTech collaborations, data hubs, payment service providers, and near and beyond banking collaborations. Banks will need to make a strategic decision about which part(s) of the value chain they want to deliver in-house, which role should be played by another part of an ecosystem, which ecosystems they want to be part of and what role they want to play in it.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption





Seamless commerce



Digital currencies

This trend includes the creation, and trading or investing in digital currencies, be it a central bank digital currency, a closed economic cycle (coupons, virtual online worlds), or private cryptocurrencies such as bitcoin. Private cryptocurrencies are being offered by an increasing number of brokers and banks and have attracted significant investments. There is still a long way to go before they become mainstream, however, and price developments in 2022 have put a damper on previously feverish speculative investments. The recent failure of FTX points to the need for regulation in order to avoid excess and provide credibility. Opinions among the experts we interviewed are correspondingly split, with some questioning the value of digital currencies and others being sure they will become increasingly important.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



Digital payments

Progress in digital payments has been very visible, with digital payment providers, mobile payments, digital person-to-person money transfers and e-wallets becoming part of the daily life for many people. The QR invoice has been fully introduced in Switzerland in 2022, simplifying money transfers. This might leave the impression that implementation and execution are now key, with very few upcoming innovations. While implementation and execution are indeed very important, there are further opportunities. With open data [payment services](#) become possible, which are independent of either credit card issuers or digital payment providers and promise significant savings for vendors. In Switzerland, the [wide-scale rollout of instant payments](#) planned for August 2024 will require financial institutions to upgrade their payments systems.

Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption





Seamless commerce



Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption

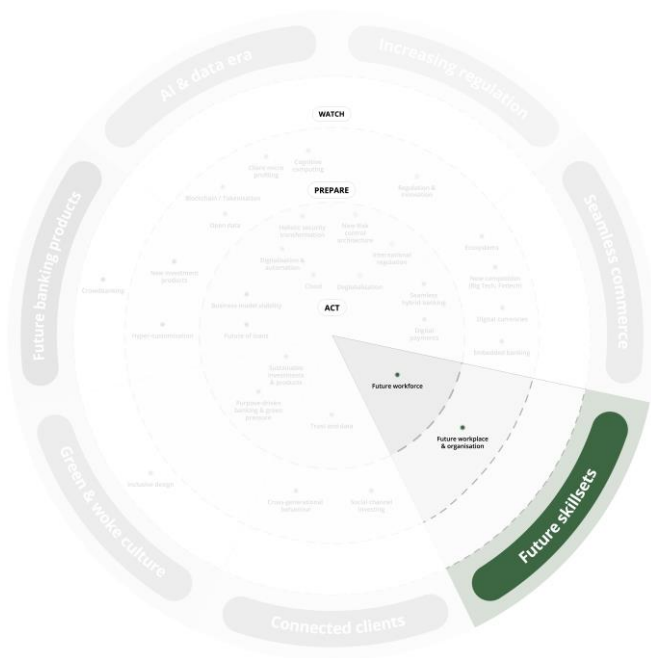


New competition (Big Tech, Fintech)

Market dynamics are reshaping the banking industry at a faster pace than we have ever experienced. Increased regulatory pressures, developing technology and changing consumer expectations are paving the way for the appearance of new competitors, both banks and non-banks, especially from the tech sector (Big Tech, Fintech). This trend describes the new competitive forces and the ways in which banks might react, through competition, cooperation or take-overs. Experts we interviewed highlighted the potential competition from Big Tech companies, while expressing doubts that these would want to become full competitors, because this would entail applying for a banking licence and adhering to all banking regulations. Of course, Big Tech should not be seen only as competition: cooperation is potentially a great opportunity, in which each side focuses on their respective strengths.



Future skillsets



The world of work is undergoing rapid change and radical upheaval. New jobs, methods and models of work require skills and approaches that were not covered in education and training. Banks will need some of their workforce to have data skills, putting them in competition with IT companies. The workplace is also changing with hybrid working, remote working and new digital collaboration tools.



Future banking workforce

Banking is a ‘people business’ and people are changing, both in their expectations from a employer and in the skills demanded from them. Banks that have a clear purpose ethical and inclusive work practices, a diversified workforce and a strong culture can differentiate themselves and succeed better in attracting and retaining talent. While personal relationships will remain key, an increasing part of banking is digital, and digital skills are becoming ever more important. This raises questions about upskilling existing staff as well as attracting new staff with digital skills, which puts banks increasingly in competition for talent with tech companies. How well are banks able to compete, in terms of salaries and corporate culture as well as the nature of projects being worked on? This is an ongoing challenge, with very high importance for banks.

Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption





Future skillsets



Future banking workplace and organisation

How digital is the future of work in banking and how will it be organised? The workplace in banking will include some remote working, digital collaboration tools, seamless hybrid working, future office design and collaboration tools, and augmented reality for collaboration. Many experts we interviewed saw the workplace question as largely settled, with some degree of hybrid working, often at a team level, but with the details still being worked out.

Equally important is the future organisational structure: agile organisations, continuous improvement, increased flexibility, low hierarchies. In many ways this is an attempt to implant the agility and flexibility of start-ups into larger organisations in order to generate higher rate of innovation and to be more attractive to talent.

Trend assessment



PREPARE

Impact on industry

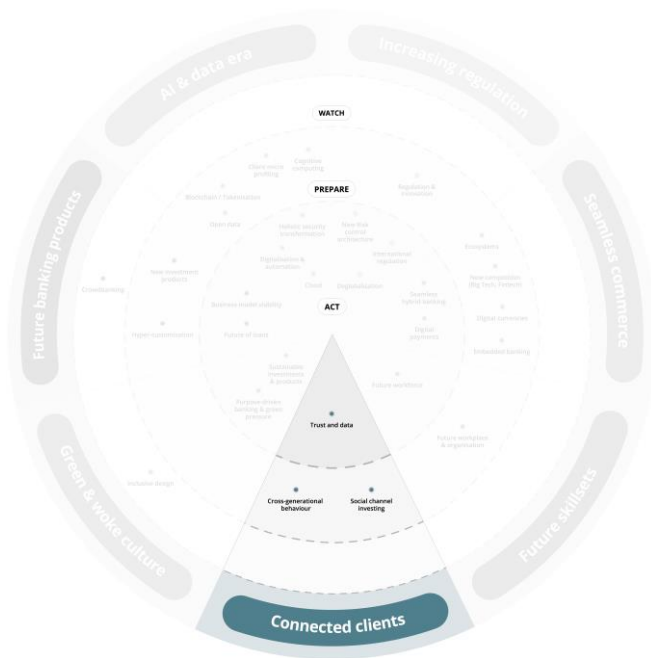


Time of Mainstream Adoption





Connected clients



Client preferences are changing, driven by new values and social changes as well as by increasing digital and technological affinity, among other factors. As a result, customers are increasingly placing new expectations and demands on products, services and company operations, while their attitudes to privacy and data protection are also evolving.



Cross-generational experience / investment behaviour

A major generational change is affecting banking. With new generations come different client preferences and there is also the question of retaining wealth across generations. This trend describes the implications for and reaction of banks to the divergence between generations in terms of preferences, services demanded and investment behaviour. Different generations, baby boomers, Millennials and Generation Zs expect (to a certain degree) different banking products, have different preferences for banking channels, UX, language and investments. An increasing number of bank customers expect banks to behave differently, because of their awareness of the way in which their consumption affects the world around them.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption





Connected clients



Social channel investing / relationships

Social media and digital channels are used in client relationship management and investment advice. This can include digital marketing by banks to existing clients, or using social media channels to win new clients. While generally associated more with retail banking – for example running a sassy social media campaign to attract younger clients – experts we spoke to also saw a role in private banking. Pioneering efforts to win new clients via social media had already paid off for them. In general however, digital channels were seen more as part of overall relationship management. The use of social media for obtaining investment advice has also increased in importance, especially with large numbers of affluent/retail clients trading on the basis of information obtained in chats, forums and other social media.

Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



Trust and data privacy in banking

Trust is crucial in banking and its importance may be increasing with digitalisation and using new technologies such as cloud computing. Attitudes towards privacy/transparency are shifting. Attitudes of individuals vary widely regarding the use of their own data, although many consumers will prefer privacy when their own data is involved. But how much data privacy (and bank secrecy) do clients want and how can banks make use of modern technology, both from a regulatory and from a client expectations point of view, while keeping in mind that professional cloud providers will be well equipped to protect against cyber attacks? By embedding highest data privacy standards, while still adhering to all regulations regarding international taxation or money laundering, Swiss banks could create a highly attractive unique selling proposition, the global ['platinum standard'](#) for banking secrecy and privacy.

Trend assessment



ACT

Impact on industry

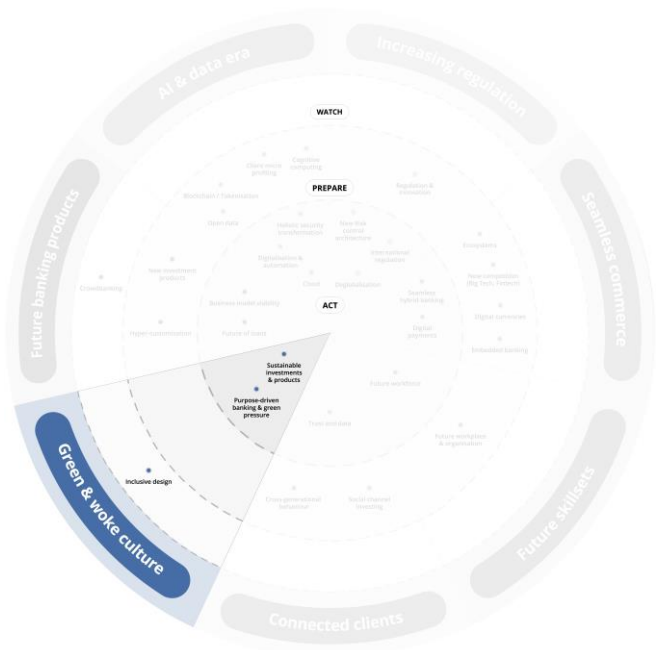


Time of Mainstream Adoption





Green and woke culture



With the growing focus on social responsibility globally, banks are increasingly including environmental, social and governance (ESG) aspects in their decision-making, their products and their marketing campaigns. There is a distinction between:

- 1) "Sustainable finance" which is regulatory driven, i.e. regulating banks (and other FSIs) from the investment side
- 2) The "sustainability footprint" of the FSI institutions, i.e. how they reduce their carbon footprint with their own initiatives.



Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption



Purpose-driven banking / Green pressure

In purpose-driven banking, a top priority for banks is to act responsibly and ethically towards customers, employees, legislators and investors. This includes the full ESG (environment, social and governance) spectrum, with a strong emphasis recently on the environmental part. Banks are finding themselves increasingly under pressure from internal and external stakeholders to align with and support environmental / climate action initiatives. That pressure can come from investors, clients, regulators, NGOs or employees. It concerns communication, marketing, and reducing the direct bank footprint (e.g. business travel, building technology), as well as reducing the footprint across bank products. It has become a [politicised](#) issue, and regulatory attention as well as public aversion to 'greenwashing' are increasing.



Green and woke culture



Inclusive design

The aim of inclusive design is for as many people as possible, and in as many contexts as possible, to be able to use certain products and services. The impact of inclusive design is often surprising: a single adaptation can expand the potential circle of users to include different groups. The aim is not to exclude anyone, and on the contrary try to expand services to customer segments which might hitherto be under-represented (such as increasing the number of female clients in stock market investments or with neo banks).

Trend assessment



WATCH

Impact on industry



Time of Mainstream Adoption



Sustainable investments and products

Governments, businesses and institutional investors are placing increasing emphasis on ESG initiatives. It is clear that the financial service sector has a key role to play in advancing these initiatives. Regulations aimed at improving taxonomy, clarity on disclosures and benchmarking will mean an increasing shift towards investments that meet sustainability criteria, not just economic objectives. Likewise other banking products, such as payments and credit cards, can be enhanced with sustainability features (for example [plant a tree](#) for a certain amount of payments with a credit card). This has been one of the biggest trends in investments in recent years, and it continues to be in demand from many clients and is increasingly taken into account by associations (such as the [Swiss Banking Association](#)) and regulators.

Trend assessment

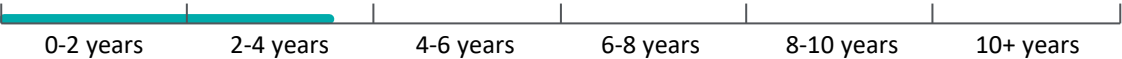


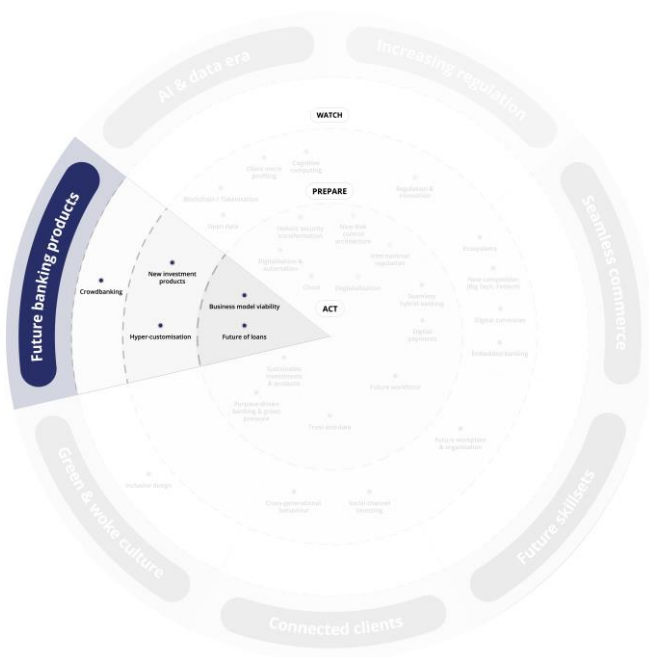
ACT

Impact on industry



Time of Mainstream Adoption





New technology gives rise to new banking products, both investment products and new credit offerings. It also enables existing products (such as private equity) to be offered to additional client segments. New technology also opens up entirely new fields, such as crowdbanking.

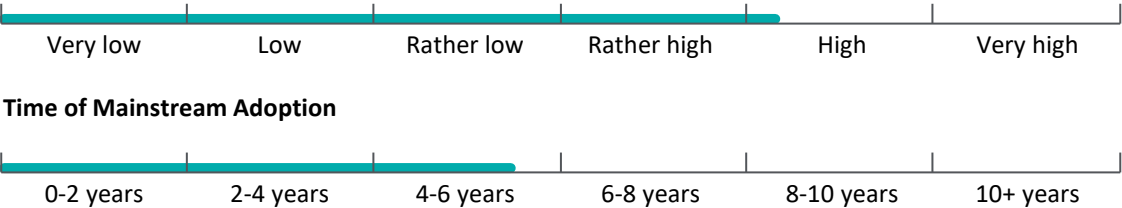


Trend assessment



PREPARE

Impact on industry



Hyper-customisation

Customers should perceive banking products and services as being personalised to meet their needs. Hence, banks will need to move from a product-centric model to one that is customer-centric, especially with higher-income clients, since cost considerations make customisation less feasible with lower-income clients. To a certain degree this is already the case, almost by definition, since private banking is highly personalised. But many banks today do not offer services to their retail and affluent clients because they are too costly. The digital bank that knows client preferences based on their behaviour can provide those services with little or no human intervention. Technology could help to lower the costs of customisation and so enlarge the client segments where this could usefully be implemented, moving towards [mass customisation](#).



Future banking products



Future of loans

Two dimensions are important here. The first relates to new products being offered, such as just-in-time lending, pay-per-use credit, peer-to-peer (P2P) lending or social lending. Many of these products were 'hyped up' during the pandemic but may not fare well during a recession; and they are also often related to consumer credits, which are of secondary importance for the Swiss market. Nonetheless, they represent innovation in one of the main banking service offerings.

The second relates to using new technology in credit offerings, such as the use of AI for faster/better [credit risk evaluation](#) and efforts to improve (price) transparency, not least in the mortgage sector.

Trend assessment

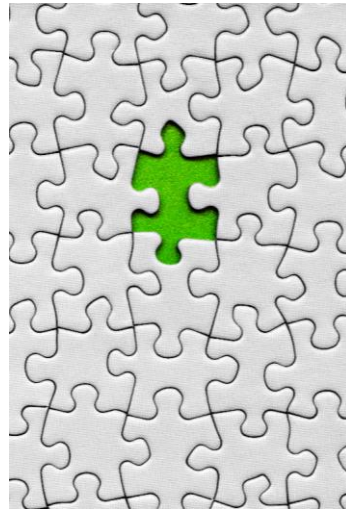


ACT

Impact on industry



Time of Mainstream Adoption



Crowdbanking (sourcing and funding)

Crowdsourcing and crowdfunding use the knowledge, creativity and resources of the crowd for collaborative purposes and to achieve defined goals. They are the main components of 'crowd actions', which describe forms of decentralised collaboration by a group of people. Social networks and digital platforms are the mediums used for coordinating these actions.

Crowdbanking for example includes consumer credit, mortgages, investments and using the wisdom of crowds and crowdsourcing ideas. There are [examples](#) of crowd financing / investing in Switzerland, sometimes [utilising tokens](#), and crowd finance has been [growing strongly](#) over the past few years. In general however, and compared with lending volumes elsewhere, the impact was not seen as high by the experts we interviewed.

Trend assessment



WATCH

Impact on industry



Time of Mainstream Adoption





Future banking products



Trend assessment



ACT

Impact on industry



Time of Mainstream Adoption



Business model viability

The classical banking business model with an integrated value chain has come increasingly under pressure. While Switzerland has been somewhat shielded by high revenues per client, the long-term viability of banking business models is being threatened by fee erosion, challenges after the pandemic and in the competitive landscape, and cost pressures. Banks face a strategic choice about how to react to these challenges, define what their future playing field should be, and decide how much of the entire value chain they want to cover themselves or whether they want to focus on certain areas or new specialisations as either product provider or client interface / service providers. Increasingly they will rely on cooperation and financial ecosystems. This is a very important ongoing challenge. Defining and fully implementing new business models will take some time.



Trend assessment



PREPARE

Impact on industry



Time of Mainstream Adoption



New alternative investment products

While rising interest rates should make fixed income more attractive once again, there have been increasing efforts to offer alternative investment products. This includes 'old' alternative investments, such as private equity, real estate investment products or Thematic ETFs for client segments that might previously had access to them, for example using new technology to keep costs under control. This is applicable to ETFs. It could also be applicable to private asset investments in the case they are tokenized. Through new products and technology, more investment possibilities will open up to more investors, such as investment in art, which hitherto has been restricted to a more limited set of investors. Through new technology, investing may become more direct, with fewer service providers needed to execute an investment.



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Contact Deloitte Switzerland for a benchmarking and find out where your organisation should improve its competences.





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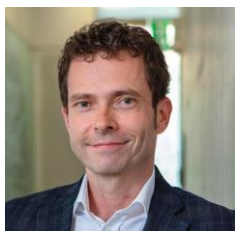
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