

IMPLICATIONS OF DIGITIZATION

CANTONAL AND REGIONAL BANK EMPLOYEE SURVEY 2018

Digitization has become a vital part of our modern society. Businesses in all industries must embrace and adapt to the new digital reality to succeed in today's competitive landscape.

Capco conducted a survey of employees from the majority of Swiss cantonal banks, as well as selected regional banks in Switzerland. We used an online survey consisting of 10 questions, either open-ended or multiple choice, to better understand the implications and challenges of digitization in the financial services industry in Switzerland. Due to the small scope of the survey, the results cannot be said to be representative of the entire industry, however, they showed some interesting tendencies that we thought were worth sharing.

IMPORTANCE OF DIGITIZATION

Participants in the survey were asked to determine the importance of four topics: digitization, regulatory compliance, cost reduction and low interest rates. Figure 1 shows how the four topics were rated, ranging from "very important", to "important" or "not important."

Digitization was rated as "very important" by 100 percent of the participants. Regulatory compliance and cost reduction followed with 63 percent and 57 percent respectively. Surprisingly, low interest rates were categorized as least important. This was an unexpected result, as low interest rates have created challenges for the Swiss banking sector in the past.

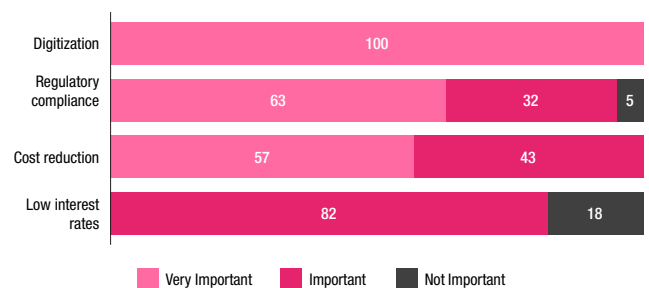


Figure 1: Importance of Digitization Topics

DIGITAL TRENDS

Having established that digitization is the primary concern for Swiss cantonal and regional banks, we drilled deeper to better understand which aspects were most important.

Survey participants were asked to rank six trends, as seen in Figure 2, where the box size indicates the importance of the trend. Self-service and API Banking were the most important trends within digitization. In contrast, Blockchain was identified as the least important of the six.

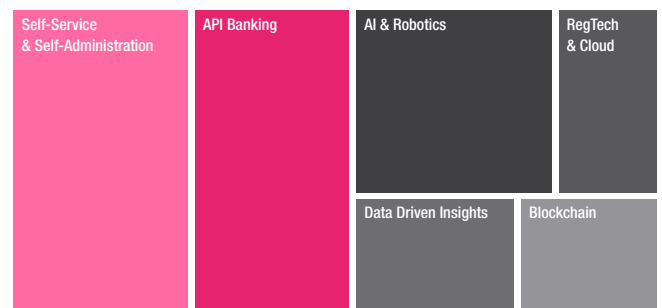


Figure 2: Digital trends

IMPACT ON BUSINESS AREAS

Participants were asked to provide insights regarding the extent to which digital solutions will impact five pre-defined business areas, both today and in the future. They rated the impact of digitization as "very important", "important", or "not important".

Based on the results, illustrated in Figure 3 below, we can see an increase in importance in four out of five business areas. Participants expect product management, marketing, and back office to be the areas where digitization will have the highest impact in the future.

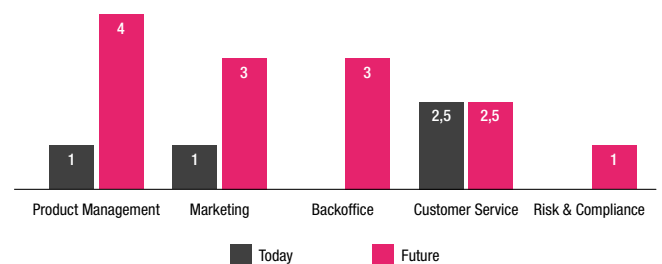


Figure 3: Impact of Digitization on Business Areas

MAIN CHALLENGES OF DIGITIZATION

In addition to the potential impact of digitization, the survey aimed to identify the digital challenges banks face. Figure 4 shows an overview of the most important digital challenges according to participants, where the size of the boxes indicates the degree of importance. The two most prominent challenges were “cost of digitization” and “prioritizing of new technology.”

In a world where technology trends change quickly, banks must prioritize which trends they want to follow. The increasing pressure to implement new technology can result in costs escalating. Often banks do not know the cost of implementing new technology. This can be attributed to a multitude of factors, such as initial investment, costs related to integration of new technology with existing systems, and costs related to training employees to use new technologies.

The results also show that banks are less worried about the “impact of new technologies” and “whether their staff has the necessary knowledge.” Banks seem the least worried about the dangers of new technology being incompatible with their existing systems. This can be a result of positive previous experiences banks have had with implementation of new technology.

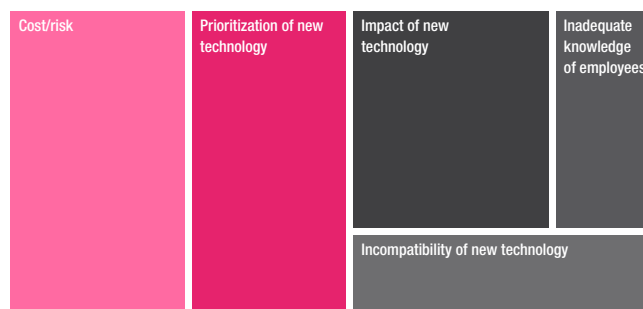


Figure 4: Main Challenges of Digitization

CURRENT PROJECTS AT CANTONAL AND REGIONAL BANKS

As a final point, we wanted to understand where in the digital evolution cantonal and regional banks are. Figure 5 shows an overview of whether the banks have ongoing or planned projects spanning across six topics. “Data driven insights” is the area wherein all banks are either currently doing, or planning to do, projects. Data management and extracting meaningful customer data are some of the major challenges in the Swiss banking industry today. Most banks are also currently involved in projects in the “self-service” area. Self-service banking has become a key topic in the industry, because it frees banks from performing complex low value processes and allows customers to have greater control over their transactions.

This trend is in line with the findings presented in Figure 2, where “self-service and self-administration” was identified as one of the most important digital trends in the financial industry. For the themes “artificial intelligence” and “API banking”, most banks are either doing projects or are planning to. New regulation in the EU will make API a reality that banks cannot escape. It is therefore vital that banks get a head start on planning how they will integrate API. Half of the respondents indicate that their bank is not planning any “blockchain” projects at this point in time. This is surprising since blockchain has been one of the hottest topics in the financial industry since the introduction of bitcoin.

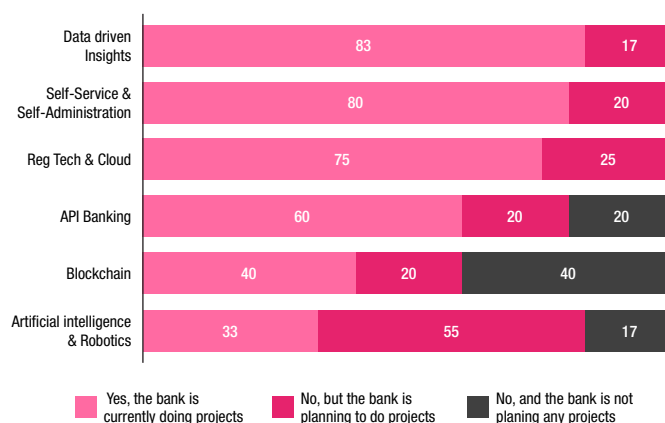


Figure 5: Projects on Digital Topics

CONCLUDING THOUGHTS

From the survey results, we can see that there are consistencies between the digital trends that banks are concerned with, and the project topics they are involved in. But some banks are not currently doing, nor are they planning, projects in certain digital areas.

Our view is that Swiss banks today cannot afford to have any ‘no’s’ on the project list in any of the digital areas. Our recommendation therefore, is that banks should make a plan where the goal is to initiate projects across all the digital topics identified in this survey.

We would like to thank all participants in this survey, and we hope that the results highlighted in this summary are helpful to banks currently navigating through the digital landscape.

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ABOUT CAPCO DIGITAL

Capco Digital is a collaborative, diverse, and passionate team with deep financial services experience. We focus on user-centric design, lean product development, and emerging technology procurement for financial services institutions. We help financial services companies innovate for the future by thinking deeply about your eco-system and designing real-world solutions with ingenuity. Our strategy team with deep domain expertise, collaborates with our clients to gain a deeper understanding of their unique business problem. The design team obtains customer insights, gathers market research, and iteratively designs/prototypes solutions. Our engineering team thoughtfully makes data-driven decisions using customer analytics as well as targeted testing.

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