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New value creation models: is it time for a step change?

Joint study by the Swiss Bankers Association and Accenture highlights the potential evolution of value creation models

- A study carried out jointly by the Swiss Bankers Association (SBA) and Accenture highlights new ways for Swiss banks to create value.
- The value creation models of the future will be based on open infrastructures with data and systems integrated end to end, digital capabilities, technical and organisational agility, and collaboration in ecosystems beyond the company itself.
- Switzerland's current regulatory system is not a decisive obstacle to refining Swiss banks' value creation models but does make it more challenging for them to innovate and adapt.

Swiss banks' business models are under increasing pressure due to the macroeconomic environment, intense competition and more stringent regulatory requirements. They therefore need to examine carefully how they can equip themselves for the future by harnessing new technologies and building up partner networks. Swiss banks' operating earnings in 2019 were 34% down on the pre-crisis level of 2005, owing to a combination of low interest rates, the strong franc and increasingly stringent regulation. The challenges facing the sector also include growing competition and new providers, demand for greater sustainability, changes in customer behaviour and, increasingly, dealing with digital technologies. August Benz, Deputy CEO of the SBA, stresses: "Banks have a great deal of scope to configure their value creation models. Unlike non-banks, however, every time they implement new technologies they need to assess whether regulatory restrictions apply or special measures are needed. When using cloud services, for example, they have to ensure that bank-client confidentiality is maintained." Characteristic features of banks' long-standing business models include a highly integrated value chain, a conservative approach to using new technologies, and rigid organisational structures. This is exactly where the authors of the study "Perspectives on the Future of Swiss Banking" see potential for future growth. Daniel Kobler, Head of Capital Markets at Accenture Switzerland, explains: "The value creation models of the future must be

digital, modular, open and agile. Our quantitatively and qualitatively evaluated interviews with 23 senior bank executives show how the majority of Swiss institutions – from regional and cantonal banks to private banks and big banks – plan to refine their value creation models and transform their cost structures.”

Nine priorities for refining value creation models:

- (1) Optimising the distribution bank model in combination with selected ecosystems
- (2) Expanding partnerships by means of open banking / API integration
- (3) Raising employee productivity
- (4) Optimisation of customer interaction points
- (5) Expanding the digital product and service offering
- (6) Optimising and refining data analytics
- (7) Expanding and optimising cloud computing
- (8) Creating agile organisational capabilities
- (9) Accelerating “digital as enabler”

Swiss banks’ future value creation models will be based on open infrastructures with data and systems integrated end to end. They will differentiate themselves through digital capabilities, as well as technical and organisational agility. Partners will be increasingly involved and greater use will be made of ecosystems, but with the customer interface remaining key.

The authors also note that existing regulation is not a decisive obstacle to refining value creation models but does make it more challenging for them to innovate and adapt. Banks must review the legality of each individual application and take special measures where necessary. Cloud applications, artificial intelligence, data analytics and standardised interfaces in particular have great potential, and in principle there is no regulatory bar to banks using them. The SBA is assisting banks in this process by issuing guidelines and other publications. As August Benz emphasises: “Our guidelines on handling data, using cloud services and DLT accounts are being used at many banks. We’re working on other topics to help banks innovate and adapt.”

SBA contacts



Michaela Reimann
Head of Public & Media Relations
Michaela.reimann@sba.ch
+41 58 330 62 55



Monika Dunant
Head of Public & Media Relations
Monika.dunant@sba.ch
+41 58 330 63 95

www.swissbanking.ch · twitter.com/SwissBankingSBA

Accenture contact



Lea Klipfel

Marketing & Communications Lead Switzerland

Lea.klipfel@accenture.com

+41 79 264 82 32

www.accenture.com · twitter.com/