

Press Release, Zurich, Switzerland, 6 September 2016

Swiss private banks need to intensify their industrialization efforts in order to become state-of-the-art banks

The most recent SFI White Paper reveals that Swiss private banks are being forced to revise their value chains further using industrialization strategies in order to be able to fulfill the present and future requirements of state-of-the-art banking. According to a survey of Swiss private banks, most respondents have still not engaged sufficiently in the industrialization process, and their efforts are concentrated mainly on cost cutting rather than on efficiency gains. Banks are advised to take action soon, since not fully industrialized value chains will make it difficult for Swiss private banks to operate profitably and staying competitive will require a great deal of effort.

Zurich, 6 September 2016. According to the most recent SFI White Paper, *Industrializing Swiss Private Banks: A Strategic Road Map*, Swiss private banks are being forced to use industrialization strategies to promptly revise their value chains in order to be able to fulfill the present and future requirements of state-of-the-art banking. Prof. Pascal Gantenbein (University of Basel) and Kristof I. Trautwein (MSc in Business and Economics, University of Basel) conducted a survey of Swiss private banks to assess their progress in terms of industrialization. The survey's conclusions are captured in ten recommendations that banks should consider when industrializing their value chains. The main conclusions are:

- Most banks surveyed claim to have progressed only to medium-level industrialization.
- Critical mass—that is, the size banks must have in order to run their operations profitably—is not crucial for future success as long as banks apply industrialization approaches. Moreover, bank size seems to have no impact on the progress of industrialization.
- Swiss private banks often link industrialization to standardization and outsourcing in order to reduce costs and complexity but not necessarily with the objective of achieving higher efficiency.
- About half of the banks surveyed exhibit an outsourcing of operations level of less than 25 percent and most banks are still trying to optimize their value chains using internal solutions.
- Most banks are focusing on industrializing their back offices. While this part of the value chain is important to industrialize and such efforts are—today—a prerequisite, the greatest efficiency gains are expected to result from an industrialized front office, which should thus be banks' focus going forward.
- Small to medium-sized private banks are expected to face the biggest process industrialization challenges. They should either specialize in a specific business model or focus on their front office and outsource all remaining operations.
- Medium-sized private banks need to be clear about their long-term goal with respect to their size and business model in order to apply the appropriate industrialization strategy.

- Large private banks often exhibit a high process complexity. Thus, their industrialization efforts should be specifically linked to business process development. However, many but not all large private banks have achieved only a rather limited level of industrialization.

Swiss private banks' main industrialization goals should be less complex structures with automated but agile processes and innovative, state-of-the-art services. In order to achieve sustainable results, Swiss private banks must first revise their business strategies, focus on their specific strengths, break up their value chains, and transform their operational models using a holistic approach to industrialization. The steps taken by most Swiss private banks until now are too minor to ensure that they will be able to compete in the market going forward. Thus, a true transformation is needed if banks are to meet the requirements of state-of-the-art banking, and the next three years will witness a fundamental transformation of most banks that are willing to seize this opportunity.

The SFI White Paper is available at www.swissfinanceinstitute.com/wpprivatebanks.

For further information please contact:

Ms. Désirée Spörndli
Program & Relations Manager Knowledge Center
+41 44 254 30 94 | desiree.spoerndli@sfi.ch

Swiss Finance Institute

Swiss Finance Institute (SFI) strives for excellence in research and doctoral training, knowledge transfer, and continuing education in the fields of banking and finance, as befits Switzerland's international reputation as a leading financial center. Created in 2006 as a public-private partnership, SFI is a common initiative of the Swiss finance industry, leading Swiss universities, and the Swiss Confederation. For further information about Swiss Finance Institute, please visit www.SwissFinanceInstitute.ch.