Thought Paper

Swiss Private Banking and the complexity of experiencing it digitally



aixigo
Driving the New Wealth Experience.

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Summary

“Subject of this paper is an examination of the requirements for contemporary and scalable wealth management.”

In the past few months, the adaptation of digital products has increased among customers in Swiss Private Banking. Here, digital and mobile access is an essential requirement. Yet at the same time, Swiss investors remain very keen on the personal component.[1] Financial service providers must comply with this conflict. Even though Swiss Private Banking is known to always deal with complex situations in a professional manner, the task of developing a digital solution that meets the requirements of individuality and personal relationships is challenging.

However, the best time to take action is now, as traditional financial service providers maintain an advantage in terms of trust over the offers of young technology providers.[2]

The purpose of this paper is to illustrate parameters of a potential solution. From the provider's perspective, a solution must reduce expenses, emphasise expertise, create transparency and be efficient. Exclusive features offer room to differentiate oneself from the competition and to position oneself significantly in the market through a unique offer.[3] Such features can, for example, transparently display portfolio activities in a timeline, provide access to curated content or generate personalised reports. They also offer customers the best opportunity to provide a unique service experience.

Even in direct comparison to existing methods of wealth management, such as traditional and individual wealth management, but also the Robo Advisor, digital wealth management remains convincing from both the providers' and the customers' perspective.[4]

To summarise, digital wealth management offers a lot of room for creativity and individuality. Technological backing allows for an exclusive offer which creates a positive service experience for the customer and becomes the key to new revenue streams for providers. Efficiency and scalability are also ensured, so that new target groups can be attracted.

[1] Digitales Anlegen in der Schweiz – ein Markt mit Potenzial (2020), Hochschule Luzern im Auftrag der Bank Vontobel und Raiffeisen· https://blog·hslu·ch/retailbanking/files/2020/11/202011_Studie-Digitales-Anlegen_DE·pdf
[2] ibid.
[3] Please refer to page 7.
[4] Please refer to page 8.



Unique customer experience

Exclusive & personalised services for a unique customer experience



Improved quality

Improved quality by reducing the workload of the adviser and providing direct involvement of the asset manager



Efficiency and transparency

Efficiency & transparency as key factors for sales success



Scalability and cost reduction

Scalability & cost reduction lead to acquisition of new target groups

30%
Improved quality

30%
Increased efficiency

25%
Cost reduction

Customer expectations of Swiss Private Banking

Swiss Private Banking embodies exclusiveness. Whilst associations of marble or heavy tread carpets shape many peoples' imagery, it is well known that there is more to Swiss Private Banking than just a beautiful facade. After all, Swiss Private Banking is characterised by financial services that go far beyond mere portfolio optimisation or standardised wealth management.

The best way to characterise Swiss Private Banking is through the expectations of customers. It is an expectation of personal advisory services and personalised offers. For the continued growth of their wealth, customers want to invest in offers with which they can identify. Offers that are as individual as they are. Swiss Private Banking is in no way lagging behind in this respect, as it is characterised by its ability to deal with complex situations in a professional manner and thus create an adequate, high-quality offering.

Under normal circumstances, during a classic face-to-face advisory session, it is not a challenge for advisers to find out about customer's ideas and thus personalise the offer. However, if the personal and stationary component is lacking, such as in a lockdown during a pandemic or if the customer is travelling, the task becomes more difficult. A reliable, digital interface for professional wealth management is usually not available.

A multi-faceted solution is needed that creates transparency, demonstrates the performance of an investment and provides access to curated personal reporting. These are just a few of the many must-have criteria that a modern wealth management solution must fulfil. A compact comparison of all must-have criteria, differentiated by customer and provider perspective, can be found in the following tables on page 5 and 6.

Modern wealth management is expected to meet these requirements:

Customer perspective

Contact & Access	Personal advice
	Option to contact an adviser
	Digital/mobile access
Information	Product transparency
	Performance transparency
	Individual newsfeed
	Curated content
Capabilities	Access to wide range of expertise
	Risk management
	Portfolio monitoring
	Portfolio rebalancing
	Broad diversification
	Currency management
Onboarding & Regulation	Risk profile determination
	Easy onboarding
	Regulatory compliance
	Offer documentation
Customisation	Thematic investing
	Identification with the investment products
	Ongoing decision-making opportunities for the customer
	Personalised offers
	Capturing the individual customer specifications

Table 1: Requirements for wealth management from the customer's perspective

Success Story

Make sure you also take a look at our success story about the cooperation between Vontobel and aixigo. In an inspiring interview, Christian Gmünder (Head of Private Client Operations & Services at Bank Vontobel) and Christian Friedrich (CBO of aixigo AG) talk about how Vontobel's wealth management has been digitised.



Furthermore, Swiss Private Banking is characterised by excellent and exclusive advisory services. Networking plays an extremely important role here, as new investment potential is constantly evaluated with industry insiders and market research companies.

Private Banking customers thus gain access to a multidisciplinary team of experts with expertise in a wide range of important financial areas. This gives access to exclusive club deals, VCs, private equity, hedge funds or trophy assets. However, all this comes at a price, so that so far only wealthier customers have been able to enjoy such an exclusive service.

Manual processes and the ever-increasing regulation also have a significant impact on the profitability of the Private Banking offering. Excellent arguments for taking a step into the digital world!

The relevance of the above-mentioned aspects for the entire financial sector is shown by a study[5] conducted on behalf of Vontobel and Raiffeisen by the Institute of Financial Services Zug IFZ at the Lucerne University of Applied Sciences and Arts. The results of the study are presented in figure 1 on page 7.

Provider perspective

Contact	Digital opportunities to get in touch with customer
	Communication interface between portfolio manager and customer
Information	Transparent offer
	Transparent development of wealth
Integration	Integration with existing IT-infrastructures
	Integration with future IT-infrastructures
Business value	Proof of adviser expertise
	Low effort
	Efficient and profitable
	Scalable
	Flexibly adoptable
Capabilities	Risk management
	Portfolio monitoring
	Portfolio rebalancing
	Broad diversification
	Currency management
Onboarding & Regulation	Automated regulatory compliance
	Risk profile determination
	Easy customer onboarding
	Generation of individual reports
	Offer documentation
Customisation	Provision of individual content
	Provision of individual investment proposals

Table 2: Requirements for wealth management from the provider's perspective

[5] Digitales Anlegen in der Schweiz – ein Markt mit Potenzial (2020)· Hochschule Luzern im Auftrag der Bank Vontobel und Raiffeisen· https://blog·hslu·ch/retailbanking/files/2020/11/202011_Studie-Digitales-Anlegen_DE·pdf

Changing needs of Swiss investors

The Swiss financial sector changes, just as habits of customers gradually do. This is the result of a study conducted by the Institute of Financial Services Zug IFZ of the Lucerne University of Applied Sciences and Arts on behalf of Bank Vontobel and Raiffeisen.

Even if this study reflects the picture of the Swiss financial market in general, it can be assumed that these trends can also be transferred to Private Banking in the long term. After all, technological solutions drastically reduce costs and thus enable the availability of exclusive services for broad masses.

The study surveyed 1,217 customers with assets ranging from CHF 20,000 to more than CHF 500,000. Overall, the study shows considerable potential for digital investment products. More and more Swiss investors are already investing their assets digitally or want to use digital offers in the future. Hybrid digital wealth management solutions are particularly favoured.

In the coming years, stronger demand for this type of offering can therefore be expected. This creates opportunities for the established Swiss Private Banking sector: Financial service providers continue to enjoy an advantage in terms



Figure 1: The results of the study presented at a glance

of trust over the BigTechs and FinTechs and also already have the required customer base. They should make use of this advantage whilst still possible.

Taken together, the study shows that the adoption of digital products has also increased among customers in Swiss Private Banking as such. Digital and mobile access have not only been added as an essential requirement through the pandemic. At the same time, Swiss investors continue to attach great importance to the personal component. Hence, the question arises as to how the complexity of personalised Private Banking can be translated into the digital realm, if the personal component in the customer relationship decreases or is absent.

As a response to this, Bank Vontobel is delivering the first app for digital wealth management – "Vontobel Volt®" – in collaboration with aixigo.

Through Volt®, an opportunity for exclusive wealth management to be digitally accessible and simultaneously individualised has been created. The unique wealth management app provides digital access to personalised financial services, exclusive deals and information on the current status of one's assets at any time.

Volt® is a communication and service channel in one.

Just as with direct personal contact, the investment philosophy and recommendations of experienced wealth managers play a key role. Volt® reduces expenses and creates free capacities. As a result, the long-standing exclusive Swiss wealth management service becomes accessible even to a new, less wealthy target group. Thus, Vontobel is responding to the challenges of the current pandemic and is also providing a proactive answer to the changing needs of Swiss investors.



Best of both Worlds – Between automated performance and individual customisation

For Swiss financial service providers, the challenge is to design an attractive offering that meets the demands and dynamics of the market. Private Banking faces the same challenge in order to remain competitive on the market in the long term as well as attractive for future generations.

How do customers experience individual or physical relationships digitally? How can investing be experienced and individualised through an app?

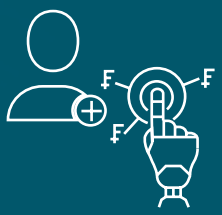
As already described, the study showed that the adviser plays a crucial role for a large proportion of Swiss investors (66%). A digital solution therefore does not replace the adviser, but creates room for essentials in the investment business.

The parameters for a potential solution have become clear. The customer is looking for a solution for capital accumulation, retirement provision or wealth preservation. He wants an offer that brings transparency to the complexity of the investment business. An offer that is easy to use and makes the expertise of the financial service provider accessible in an uncomplicated way from anywhere.

As shown on page 11, three key success factors for your business success arise from offering a "New Digital Wealth Management"[6].

Furthermore, we have identified possible unique features for the New Digital Wealth Management. These can be found on page 12 and 13.

[6] The term "New Digital Wealth Management" represents modern solutions that combine the best of two worlds: Automated and regulatory-compliant processes with exclusive and personalised offerings.



Hybrid Advice

The aforementioned customer request for digital experiences, transparent services and personal and empathetic advisory services is currently difficult for Private Banking to meet, not just because of the pandemic. Non-standardised processes and increased regulatory requirements create higher liability risks, so that a lengthy, manual review is often necessary. Personalised portfolios or reports as well as the creation of real insights can only be implemented regularly for a few, mostly very wealthy customers.

So far, a large number of financial service providers took the route to automated wealth management, especially in terms of Robo Advisor offers. These are characterised by the fact that they are easier to handle from a legal perspective than traditional investment advisory services provided by humans. In addition, the digital investment products are presented in user-friendly and easy-to-use applications on the smartphone or in the browser. Thus, they essentially meet the requirements of transparency, user-friendliness and simplicity. However, it is evident that stand-alone Robo Advisors have difficulties in operating profitably. Many customers miss the personal component, the human contact person, hence trust.

For even though automation and digital delivery of investment opportunities are a necessity, customers still want to see their personal preferences reflected in the portfolio. With Volt®, a hybrid solution has been created that combines the best of both worlds - automated and regulatory compliant processes and personalised solutions. Unlike traditional Robo Advisors, Volt® offers the possibility to proactively address customers with individualised investments and corresponding information as well as reports. At the same time, customers remain largely autonomous and can make independent decisions through digital access. Through Volt®, the expectation of anticipatory and proactive advisory services can also be fulfilled in a convincing form via digital channels.



Three benefits of a “New Digital Wealth Management” for your Private Banking offering

Reduction of effort – Evidence of expertise

Through the digitalisation of complex processes, advisers save time and effort. In addition, digital support in the areas of monitoring, alerting and rebalancing offers an additional quality gain and enables the monitoring and management of a higher portfolio quantity. Overall, advisers gain free capacities through the use of the latest technologies and can thus concentrate on their core competence.

Transparency

The customer is always informed about the current value and the various assets in his portfolio. If the fonds manager carries out a rebalancing, for example, he can send the customer a curated report digitally. This way, the customer can fully follow and understand all recommendations and actions.

Efficiency

Following a joint onboarding with the adviser, the entire wealth management process is largely digitalised, fully compliant with regulations and secure. By saving effort, exclusive wealth management becomes scalable and accessible to a new target group.

Exclusive features to differentiate from the competition

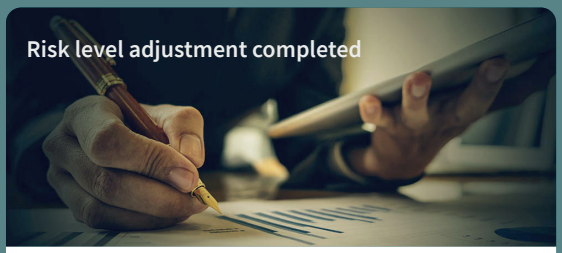
Timeline: Important information in a compact feed

The timeline is a central functionality of a wealth management app. Similar to a social media feed, news about one's own investments, news about the industry or changes in one's own portfolio are presented.

Exclusiveness: Investment philosophy digitised

By means of an app for wealth management, the investment philosophy of a financial service provider can be experienced digitally by all customers. Customers are given the opportunity to personalise their portfolio by having asset managers suggest possible investment themes to them. The app embodies exclusively the content and values that the bank or financial service provider intends to represent.

12 Jan



Hello Christian, your portfolio has been rebalanced to match your current risk attitude.

Your risk level has been reduced from 4 to 3. The rebalancing of your portfolio has been successfully completed to match this change. You will find all transactions related to the rebalancing in the corresponding transactions section.

Bank

10 Jan

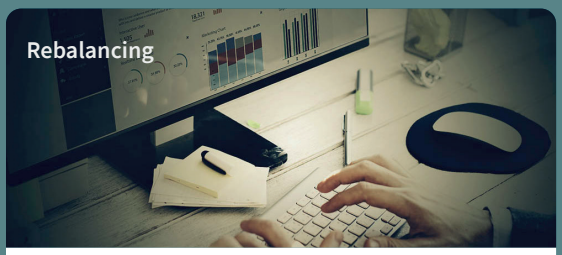


Hello Christian, please submit your deposit

The amount we have agreed upon is expected to be deposited in your reference account (details here). Once this is done, your fonds manager will start to develop your portfolio. We will inform you as soon as we have received your payment.

To-do's

3 Jan

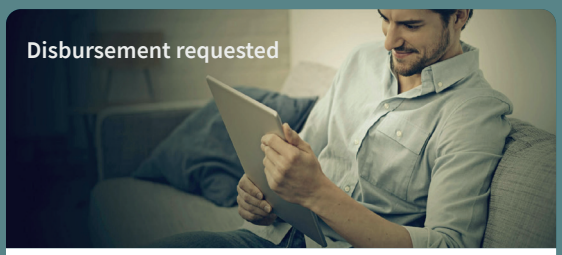


Your fonds manager has optimised your portfolio.

Changes were made to the following modules: Cybersecurity and German Industry. You can find all transactions related to the rebalancing in the corresponding transactions section.

Bank

19 Dec



Hello Christian. You have requested a disbursement of €5,000.

As soon as the amount of €5,000 is booked to your reference account, it will be ready for disbursement. We will inform you as soon as the transaction has been successfully completed.

Bank

Personality: Content according to core competence

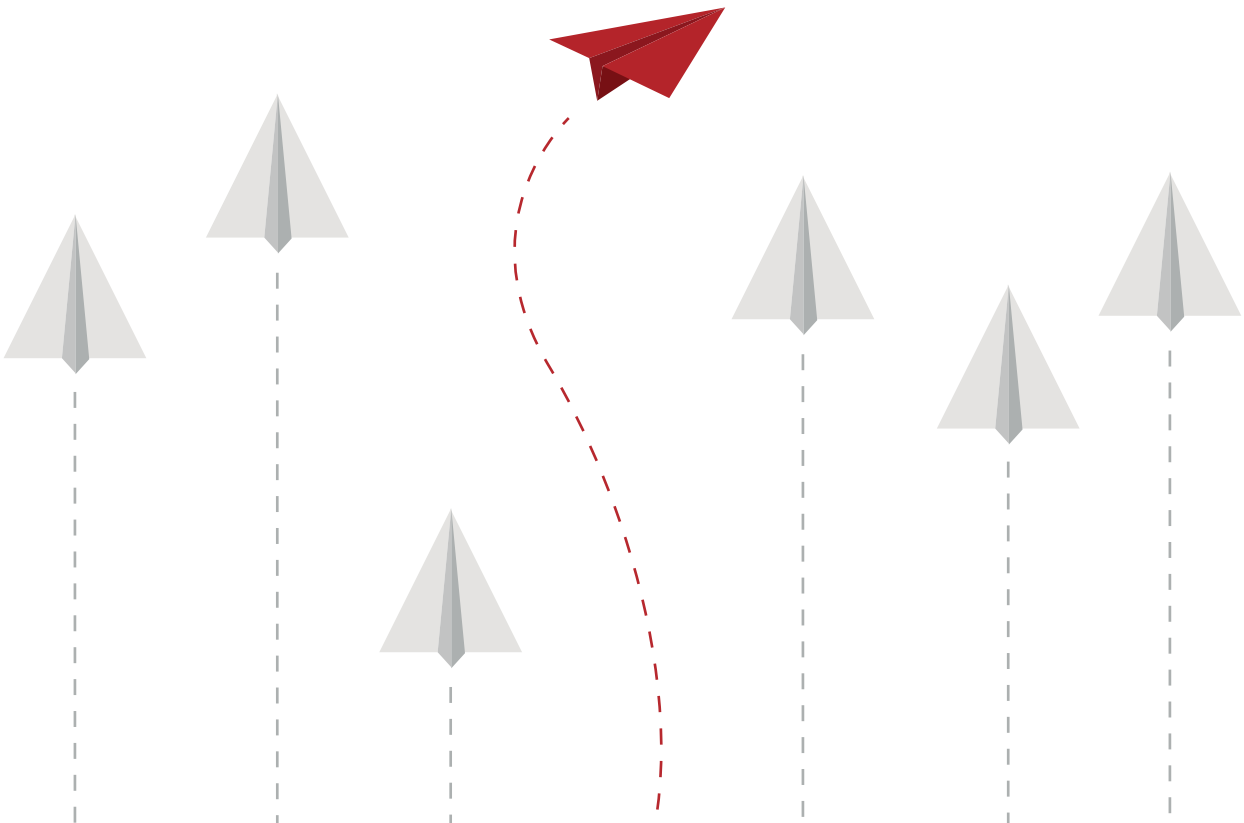
Upon investment, customers are not left alone. Once the customer has decided to invest, for example in the area of e-sports and gaming, the asset manager continues to provide curated content on a regular basis in order to inform the client comprehensively about current developments in the corresponding market. Starting with the example of e-sports and gaming, customers are informed, in form of a summarised report in the feed, about games trade fairs such as Gamescom or new hardware and software products.

Individuality: High-quality expert reports

If customers wish for more detailed information, they can take a look at the high-quality reports provided by the asset manager. Taken together, all information, such as reports, content or investment proposals, represent the brand image of the financial service provider or the bank. To get even more personal impressions, customers can view the asset manager's profile on request and find out about their expertise and core competencies. In this way, there remains a sense of humanity even in a digital channel such as the feed.

Increasing revenue: Acquisition of a new target group

The services described are no longer only available to wealthier customer groups. Costs can now be saved through the consistent digitalisation of manual processes. As a result, less wealthy customers who previously had no access to such exclusive wealth management for cost reasons can now also be served. This translates into a diversification of income streams - a novelty for the Swiss Private Banking market.



The overall benefit of such a digitisation initiative can be broken down to one factor. With digitised wealth management, financial service providers and banks can focus on their core competencies, such as research and investment expertise, and provide these digitally.

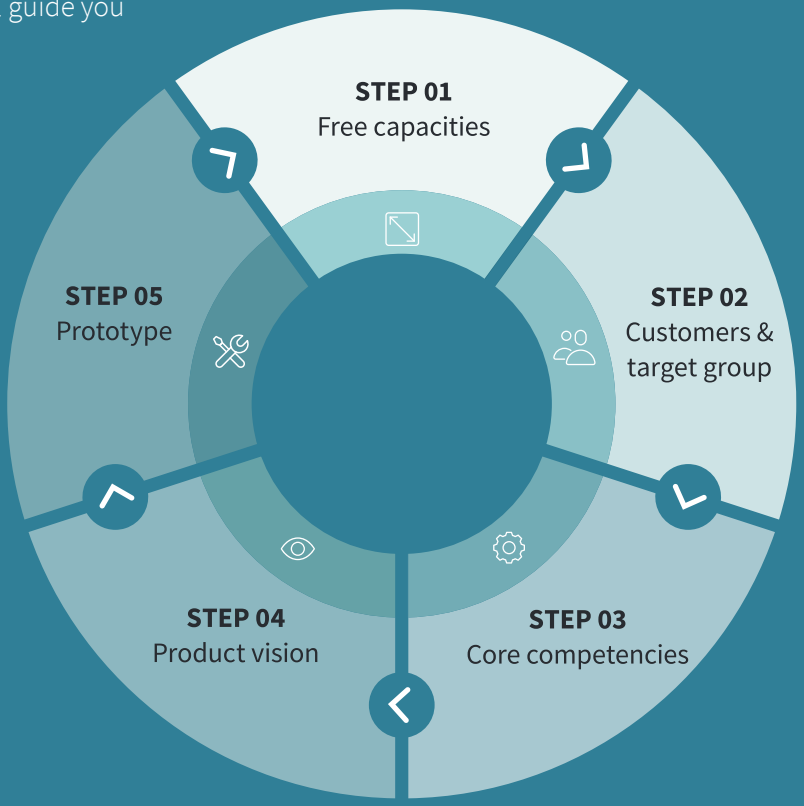
Even if digital solutions do not yet appeal to all customers today, they still offer, now and in the future, a good opportunity to meet changing customer needs.

Would you like to develop your own solution to digitise your wealth management offering, but are unsure how to proceed?

Plan your solution with our "5 steps to digitise your Wealth Management Services"!

In our article "5 steps to digitise your Wealth Management Services" you will learn about 5 steps that will guide you from the first thought to the prototype.

Read more



Comparison of different wealth management methods

In order to be able to place the "New digital Wealth Management" in the already existing offer in the field of wealth management, we will once again distinguish all possible forms from each other in the following. The Robo Advisor, traditional wealth management, individual wealth management and the "New Digital Wealth Management" can best be contrasted with the must-have criteria of modern wealth management mentioned at the beginning.

Table 3 shows the requirements of wealth management from customer's perspective. Individual wealth management covers most of the customer-relevant features among the traditional methods of wealth management. This is followed by traditional wealth management and the Robo Advisor. It becomes clear that even the Robo Advisor covers a large part of the services of traditional wealth management. The only significant difference is that these services are provided in digital form by the Robo Advisor. Finally, if we look at the New Digital Wealth Management, it is noticeable that it covers all customer-relevant criteria that individual wealth advisory offers, but with the crucial difference: **the "New Digital Wealth Management" is significantly less resource-intensive, more flexible and more scalable.**

Customer perspective		Traditional Wealth Management	Individual Wealth Management	Robo Advisor	New Digital Wealth Management
Contact & Access	Personal advice	✓	✓		✓
	Option to contact an adviser	✓	✓		✓
	Digital/mobile access			✓	✓
Information	Product transparency		✓	✓	✓
	Performance transparency	✓	✓	✓	✓
	Individual newsfeed				✓
	Curated content	✓			✓
Capabilities	Access to wide range of expertise				✓
	Risk management	✓	✓	✓	✓
	Portfolio monitoring	✓	✓	✓	✓
	Portfolio rebalancing	✓	✓	✓	✓
	Broad diversification	✓	✓	✓	✓
	Currency management	✓	✓		✓
Onboarding & Regulation	Risk profile determination	✓	✓	✓	✓
	Easy onboarding			✓	✓
	Regulatory compliance	✓	✓	✓	✓
	Offer documentation	✓	✓	✓	✓
Customisation	Thematic investing				✓
	Identification with the investment products		✓		✓
	Ongoing decision-making opportunities for the customer				✓
	Personalised offers		✓		✓
	Capturing the individual customer specifications		✓		✓

Table 3: A comparison of different wealth management methods from the customer's perspective

With regard to contact and access, the “New Wealth Management” is in no way subordinate to traditional and individual wealth management, whereas the Robo Advisor does not score well in this area.

In the field of information, the "New Digital Wealth Management" combines the best of both worlds as well. Transparency and curated information are 100% guaranteed. A unique feature of the "New Digital Wealth Management" is the access to the expertise of fund managers.

Looking at services offered (please refer to table 4), it is noticeable that traditional and individual wealth management show clear weaknesses in terms of costs, efficiency and scalability. Here, too, the "New Digital Wealth Management" stands out with its complete coverage of the economic requirement criteria.

It is also worth mentioning that integration, which was completely disregarded for a long time, is now a central aspect in order to be able to combine solutions in the long term.

Especially in the area of customisation, the "New Digital Wealth Management" is by far surpassing other methods of wealth management. Through the use of innovative technologies, individual content or individual investment proposals can be displayed in an uncomplicated and efficient manner. This offers absolute added value on both the customers' and the providers' side.

Provider perspective		Traditional Wealth Management	Individual Wealth Management	Robo Advisor	New Digital Wealth Management
Contact	Digitial opportunities to get in touch with customer				✓
	Communication interface between portfolio manager and customer				✓
Information	Transparent offer		✓	✓	✓
	Transparent development of wealth		✓	✓	✓
Integration	Integration with existing IT-infrastructures		✓		✓
	Integration with future IT-infrastructures				✓
Business value	Proof of advisor expertise		✓		✓
	Low effort			✓	✓
	Efficient and profitable				✓
	Scalable			✓	✓
	Flexibly adoptable				✓
Capabilities	Risk management	✓	✓	✓	✓
	Portfolio monitoring	✓	✓	✓	✓
	Portfolio rebalancing	✓	✓	✓	✓
	Broad diversification	✓	✓	✓	✓
	Currency management	✓	✓	✓	✓
Onboarding & Regulation	Automated regulatory compliance			✓	✓
	Risk profile determination	✓	✓	✓	✓
	Easy onboarding of customers			✓	✓
	Generation of individual reports	✓	✓	✓	✓
	Offer documentation				✓
Customisation	Provision of individual content				✓
	Provision of individual investment proposals		✓		✓

Table 4: A comparison of different wealth management methods from the provider's perspective

It can be summarised that the "New Digital Wealth Management" can complement existing offers very well. It allows to reduce expenses, to save resources and to gain free capacities. Complementing the adviser, there is great potential to inspire customers with individual offers and to position oneself as a provider with a strong brand.

Ways by which private banks can proceed in order to implement a solution for digitising the customer relationship, suitable for their institution, can be read in our article "5 steps to digitise your Wealth Management Services".

Read through our "5 steps to digitise your Wealth Management Services"

In this article you will learn how you can get from the first thought to the prototype in just 5 steps.

Read more



