

## **Swiss Banking Industry:**

**Analysis of the positioning of traditional banks as fintech  
banks enter the market and customer behaviour changes.**

**Bachelor Project submitted for the degree of  
Bachelor of Science HES in International Business Management**

by

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# Executive Summary

Traditional Swiss banks are currently under threat from the arrival of new competitors, fintech banks, whose business models are more about technology than banking. Newcomers are highly competitive and are putting pressure on traditional banks that are at the risk of losing market share and revenues. In addition, there have been major changes in customer behaviour, especially since the Covid-19 pandemic, with customers increasingly using banks' digital tools. The aim of this study is therefore to understand how traditional Swiss banks should position themselves in the market to remain competitive.

To achieve this, several types of data were collected. Firstly, secondary data were gathered to establish current knowledge of the subject. Secondly, primary data were collected in the form of a survey and an interview. These two methods were used to obtain the opinions of Swiss banks' customers on digitalisation and also the views of traditional banks on their future.

The study confirmed that traditional banks need to reposition themselves. Indeed, their competitors offer more innovative solutions and more attractive prices. To achieve their new positioning, traditional banks will have to make more intensive use of technologies that enable fintech banks to overshadow them. In addition, thanks to their experience, knowledge of the banking industry and physical presence, traditional banks have undeniable advantages that they must take advantage of for the future. Finally, research has also shown that digitisation is not yet accepted by everyone.

In order to remain competitive in the banking industry, it is recommended that traditional banks adapt their positioning by using the marketing mix and its 7Ps. Traditional banks should reduce their fees and adapt them to those of fintech banks (Price) as well as making their services more flexible and customisable (Product). In addition, they should create better targeted advertising campaigns (Promotion) and develop their communication channels while maintaining their branches (Place). To better serve their customers, they should apply an omnichannel strategy and become more agile by using technology (Process). To move in the right direction, they should hire employees from the world of technology (People). Finally, they need to showcase their knowledge and experience of the sector in order to retain and attract customers (Physical evidence). To support these changes, they should also adapt their overall strategy with regards to digitalisation.

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# 1. Introduction

Over time, the Swiss banking industry has undergone major changes that have led to an evolution in the banks' business model. In recent years, technological innovations have completely overturned their business model, as new, high-performance competitors - fintechs and BigTechs companies - have also entered the banking industry (King 2018).

Technological innovations and the pandemic have also prompted customers to change their behaviour and make ever greater use of online banking platforms and digital payment methods (Deloitte 2020).

Thanks to technological innovations such as open banking, application programming interfaces, artificial intelligence, machine learning, robotic process automation and blockchain, new competitors can offer customers of traditional banks high-performance, personalised services at lower rates than traditional banks (Fong et al. 2021).

For their part, customers have a wider choice of financial partners to manage their finances. What is more, they are making increasing use of digital services and, as a result, are less likely to visit the bank branches that are an integral part of the traditional banks' business model.

Switzerland has always had a highly reputable banking industry and has its own characteristics, such as more flexible regulations on the use of cash than most countries. These traditional banks have been around for a long time and have helped to make Switzerland what it is today. As a result, the fact that they are now under pressure is a matter that needs to be addressed. In Switzerland, BigTechs are not yet very active when it comes to banking, hence the focus of this report will be on fintech banks (Gorgun, Wolfs 2021).

The aim of this report is, therefore, to establish recommendations for traditional banks concerning their digital strategy but also their positioning in the industry with regard to their customers so as to offer them an effective solution to remain competitive.

## **1.1 Research question and hypotheses**

The main question of this research paper is to establish how traditional Swiss banks should position themselves in the face of digitalisation, given the changing behaviour of their customers and the arrival of new competitors, fintech banks, in the banking sector.

To answer this question, four hypotheses have been put forward.

The first is that traditional banks need to adapt their positioning into digitalisation in order to remain competitive.

The second hypothesis is that traditional banks need to make more intensive use of modern technologies to satisfy customers and respond to the arrival of new competitors.

The third assumption is that traditional banks have advantages that digital banks do not and that they should take advantage of.

The last hypothesis is that digitalisation is now accepted by everyone.

### **1.1.1 Traditional bank**

Traditional banks refer to banks with a traditional business model, a physical presence and a banking licence issued by the country in which they operate. They are characterised by a number of features, including branches, head offices in the countries in which they operate, their own ATMs, a large number of employees and personal advisers (Chase 2023).

### **1.1.2 Positioning**

Positioning refers to the place a company wishes to give to a product or service in the target industry and in the minds of customers with regards to competition (Kotler, Armstrong 2018).

### **1.1.3 Fintech Banks**

Fintech banks, also known as digital banks, neo banks and sometimes challenger banks (Beyeler 2023), are fintech companies that use innovative technologies such as artificial intelligence, robotisation, machine learning, open banking and blockchain to provide automated, higher-quality financial services. They are very competitive because they face lower costs than traditional banks (Kagan 2023).

#### **1.1.3.1 Open banking**

Open banking refers to the fact that customer data obtained by banks, such as their financial data, is opened up to third parties via application programming interfaces. Open banking should enable efficient transmission of customer information between banking institutions and external service providers, so that they can offer even more personalised and faster services (The Investopedia Team 2022).

#### **1.1.3.1.1 *Application programming interfaces (APIs)***

APIs consist of programme code that makes requests for data, analyses the responses, and then issues instructions to several software applications. They enable data to be transmitted efficiently and centralised at a single point (Scott 2022).

#### **1.1.4 Customer behaviour**

Analysis of customer behaviour refers to seeking to understand how customers choose, use, and dispose of a service or product in order to better respond to their needs and desires (Kotler, Keller 2012).

## **2. Literature review**

### **2.1 Evolution of the banking industry**

The banking industry has always faced many changes. Indeed, over time it has had to adapt to the arrival of new technologies and to changes in customer behaviour. To remain competitive and survive these changes, it has always been crucial for banks to adapt. To understand the impact of these developments, it is important to trace the major changes that have taken place over time in the banking industry. In addition, the Swiss banking industry has many distinctive features that make its financial market unique in the world. Understanding how it works is crucial to establishing a vision of what it will look like in the future.

#### **2.1.1 Stages of evolution**

The banking industry has often faced technological changes and banks have had to adapt in order to survive. These important changes started in 1472 and extend to the present day. As such, the evolution of the banking industry can be summarised in four main phases. Banking 1.0, Banking 2.0, Banking 3.0, and Banking 4.0 (Noreen et al. 2023). Each of these phases involved significant technological advances that caused banks to change their business model.

##### **2.1.1.1 Banking 1.0**

The Banking 1.0 phase started in 1472 and ended in 1980. The branch was the bank's main point of contact with its customers. According to Brett King, the era began with the Medici family in Italy (King 2018). Indeed, they founded one of the first family banks in the world and were the pioneers of modern banking. They invented tools that we still use

today such as double accounting, letters of credit but also the holding system (Martinez 2020).

#### **2.1.1.2 Banking 2.0**

Phase 2 saw the emergence of self-service banking and ran from 1980 to 2007. This era is considered to be the first attempt to provide banking services to customers outside of business hours (King 2018). This period saw the introduction of services to customers that did not exist before, such as ATMs, card readers and online banking with the introduction of the internet around 1955 (Mehdiabadi et al. 2020). The use of online banking really started to increase in the mid-1990s due to the greater popularity of the internet (Beattie 2023). These technologies were used by banks to remain competitive (Noreen et al. 2023) and led to the idea that banking services were not only meant to be physical but also portable (Mehdiabadi et al. 2020).

#### **2.1.1.3 Banking 3.0**

Banking 3.0 is the era that has seen the transition from a bank that requires a physical point of contact to the bank that is accessible anywhere, anytime (King 2012). It lasted from 2007 to 2017 (King 2018). It was also during this period that the existence of traditional physical branches was challenged in order to adapt to the accelerating use of modern technology. Indeed, with the advent of the smartphone in 2007, people could start to access their finance from anywhere, challenging the existence of the physical branch as a point of contact. In those 10 years, we have seen great changes in the behaviour of customers who no longer need to go to a branch to carry out their transactions such as applying for a card, a credit or paying their bills. In order for customers not to completely lose interest in physical branches, Brett King recommended improving the customer experience and reducing the complexity of processes. The 3.0 era also saw the birth of challenger banks. These new entrants provide advanced digital services (King 2012).

#### **2.1.1.4 Banking 4.0**

Banking 4.0 is certainly one of the steps leading to the biggest changes for banks and their customers. Not only will traditional banks have to completely rethink their business model, but they will also have to compete with new technology companies such as fintech and BigTech. Indeed, this period implies a complete redefinition of what a bank is. Branches will no longer be useful as the main point of contact, but banks will need to be able to deliver an omni-channel experience to their customers (King 2018). Technologies such as artificial intelligence, virtual reality and blockchain are at the heart

of this revolution (Mehdiabadi et al. 2020). Customers can now get advice directly on their phone, make payments at the click of a button, open an account without meeting anyone or get credit from their sofa. By using technologies, those new competitors aim at getting rid of friction points such as burdensome regulations or complicated formalities (King 2018). This period represents a major threat to traditional banks that need to develop to maintain their market share against new entrants that have less cost and more technology to offer cheaper and more efficient services to customers (Erlebach et al. 2020).

### **2.1.2 Traditional Banks**

To understand why the traditional banking model is currently under threat, it is important to understand what a traditional bank is and how it works.

Traditional banks have been established in the financial industry for a long time and therefore have significant experience of the market and deep knowledge of their customers. Moreover, thanks to well-established customer relationships, they benefit from customer trust (Erlebach et al. 2020). Their business model is currently threatened by the arrival of more technologically advanced companies: the fintech banks. The threat was already present before the Covid-19 pandemic; however, their well-established model was undermined by the closure and isolation measures implemented to combat the outbreak (Erlebach et al. 2020).

#### **2.1.2.1 How do traditional banks operate?**

There are several definitions of a traditional bank. However, there are five characteristics that particularly distinguish them from the emerging banks on the market. Those characteristics comprise building long-term relationships with their customers, getting money deposits, granting loans, pursuing traditional banking activities as well as maintaining physical presence.

##### **2.1.2.1.1 Long-term relationships**

The purpose of a traditional bank is not to conduct a single transaction with customers. Its aim is to build a long-term relationship to provide its customers with several services over time. The traditional bank will, during its relationship with the customer, collect personal information that will help it to orient customers according to their needs (Chiorazzo et al. 2018). Furthermore, these banks have been established for many years and have a solid reputation and trust from customers who still prefer to deal with a human for complex transactions (Erlebach et al. 2020).

#### **2.1.2.1.2    *Money deposits***

Traditional banks rely heavily on customer deposits to operate. Indeed, customers, such as companies or households, deposit their savings with the bank in exchange for interest. The bank can then use the money deposited to grant loans. These banks can be considered as intermediaries between savers and borrowers (Anand, Mantrala 2019).

#### **2.1.2.1.3    *Money lending***

As traditional banks obtain money from depositors whom they have to remunerate, they use the money entrusted to them to make loans to other customers or institutions. These loans are subject to interest, usually higher than those paid to depositors, so that the bank can make a profit from these transactions (Anand, Mantrala 2019).

#### **2.1.2.1.4    *Traditional banking activities***

In addition to their lending and deposit-taking activities, traditional banks provide a range of other services to their customers that allow them to earn a return. These activities usually include payments, withdrawals, account administration and wealth management (Chiorazzo et al. 2018). Banks have managed to develop a range of services that allow them to meet the needs of their customers to create a stable, long-term relationship. This model was not threatened until the arrival of fintech companies and the changes in customer needs that we are seeing today (Anand, Mantrala 2019).

#### **2.1.2.1.5    *Physical presence***

One of the main characteristics that differentiates traditional banks from fintech, or challenger banks, is their physical presence. Indeed, traditional banks generally have a branch network. These branches are used to facilitate contact with customers and to maintain frequent and regular contact with them to grow the long-term relationship (Chiorazzo et al. 2018).

### **2.1.3    *Fintechs***

In 1994, Bill Gates said "Banking is necessary, but banks are not" (Gates 1994; quoted in Anand, Mantrala 2019). Given the current situation, it appears that Gates was well ahead of his time. As mentioned earlier, it is no longer a question of whether fintech banks will have an impact on the banking industry, the question now is how the incumbent companies will respond to this significant change. In order to better understand why the traditional banking model is currently being challenged, it is necessary to look at the fintech banking model and why it is so successful.

### **2.1.3.1 The fintech Business Model**

The term fintech is a combination of the words finance and technology. Indeed, these companies want to deliver quality financial services that are faster and easier to use by using ever more innovative technologies such as artificial intelligence, blockchain and big data (Fong et al. 2021).

To simplify the life of their customers, fintech banks aim to reduce as much as possible the hurdles that traditional banks face. Here, we are talking about administrative, legal and compliance constraints that sometimes make banking relationships complicated (King 2018). Indeed, fintech banks' business model is very different from traditional banks thus they can innovate much more efficiently, are less risk-averse and let customer needs drive their strategy (Stulz 2019).

There are two types of fintech companies in the market. Those that offer complementary services to those of banks and those that offer services equivalent to those of traditional banks. This could be the basis for traditional banks to determine their strategy as some could be associates and others, competitors (Romănova, Kudinska 2016).

Unlike traditional banks, fintech banks do not have a branch network and therefore incur less costs.

Moreover, all the services they provide are digital, except for payment cards, which may be physical. From opening an account to investing in cryptocurrencies, digital banks know how to adapt quickly and offer customers what they want (Anand, Mantrala 2019). Thanks to their digital and more efficient model, digital banks generally manage to offer tariffs 25% to 70% lower than traditional banks, making themselves very attractive to customers (King 2018 p.205)

Fintech banks offer their customers banking products based entirely on the technologies mentioned above, such as artificial intelligence, blockchain and big data. Thanks to them, digital banks can provide comprehensive services including loans, payments, billing, personal banking, wealth management, money transfers, cryptocurrency, capital market and also crowdfunding (Elia et al. 2022).

In a 2018 report on the fintech market, S&P Global divided the companies into 6 different categories: Insurtech, Digital Investment Management, Digital Lending, Payment, Digital Banking and Blockchain. (Stulz 2019; Darden et al. 2018)

#### **2.1.3.1.1    *Insurtech***

Insurtech companies are online companies that will sell insurance policies but are not themselves the insurer. They work in partnership with traditional insurance companies. For this reason, S&P does not foresee any serious changes in this area (Darden et al. 2018).

#### **2.1.3.1.2    *Digital Investment Management***

The companies included in this category offer services such as fee-free stock, ETF, cryptocurrency, or option trading, but also credit scoring, intermediaries, and artificial intelligence-based robot advisors (Stulz 2019).

#### **2.1.3.1.3    *Digital Lending***

The companies in this category specialise in personal, business and student loans. Most of the time, they still depend on traditional banks for financing. Fintechs are mainly specialised in extremely fast credit analysis and thanks to very innovative technologies can reduce processing costs (Stulz 2019; Darden et al. 2018).

#### **2.1.3.1.4    *Payment***

Companies in this category specialise in providing services that easily safeguard and transfer payment information. They allow customers to easily transfer money anywhere in the world to another person or company, buy products online or in shops (Darden et al. 2018).

#### **2.1.3.1.5    *Digital Banking***

The digital banking category includes companies that specialise in providing stand-alone services to their customers via a website or an application. Thus, customers can access their accounts anywhere, at any time and can add or remove services on demand and immediately (Darden et al. 2018).

#### **2.1.3.1.6    *Blockchain***

In this category, companies are specialised in cryptocurrency trading. Blockchain technology is a network that allows for the storage and transmission of information about transactions such as cryptocurrencies but not only. In those networks, data are shared between participants and cannot be modified or faked (Stulz 2019).



### **2.1.3.2 Why are fintech a threat to traditional banks?**

Since the financial crisis of 2008, traditional banks have been subject to much stricter capital and compliance rules, increasing the complexity of their work, their costs, and their difficulty in adapting their model. Indeed, unlike traditional banks, fintech banks currently face less regulation despite having similar activities to banks (Gorgun, Wolfs 2021). In Switzerland, for example, they can apply for a special licence which is less difficult to obtain than a banking licence (Etique 2019). Furthermore, as mentioned above, due to their greater efficiency and lack of physical presence, fintech companies face lower costs than banks currently on the market and are thus able to offer better pricing than incumbent firms.

As they face less regulation, fintech banks can use the most modern technologies to provide fast and personalised services to their customers (Gorgun, Wolfs 2021). Being able to offer similar and faster services than traditional banks, they are an important competitor. In contrast to fintech banks, traditional banks have more difficulty in adapting their internal structure to digitalisation due to the regulations they face, their lack of knowledge in the field and their reluctance to change (King 2018 p.197).

What fintech banks offer is on-demand, anytime, anywhere banking without the need to deal with administrative issues or long waits for appointments. The technologies used allow them to provide accurate advice on the financial situation of customers, both for investment and credit, mainly through artificial intelligence and big data. In addition, opening an account is done almost instantly and a means of payment, such as a virtual card or wallet, is immediately available to the customer.

In terms of customers' knowledge on neo banks, a report provided by Ernst & Young in 2019 shows that most people are already well aware of the services offered by these companies. The services neo banks are best known for are payments and money transfers, with only 4% of respondents saying they were unaware of their existence. Next come insurance, savings and investment, loans and budgeting and financial planning. The report also highlights the fact that the adoption of banking services provided by fintechs is constantly increasing. In 2019, 75% of people had already used payment and transfer services at least once, 48% savings and investment services, 34% budgeting and financial planning services, 29% insurance services and finally only 27% of people had already used fintech banks to obtain credit (Ernst & Young 2019).

With fintech companies actively involved in most segments of traditional banking, with varying degrees of popularity depending on the service, the two types of companies appear to be major rivals.

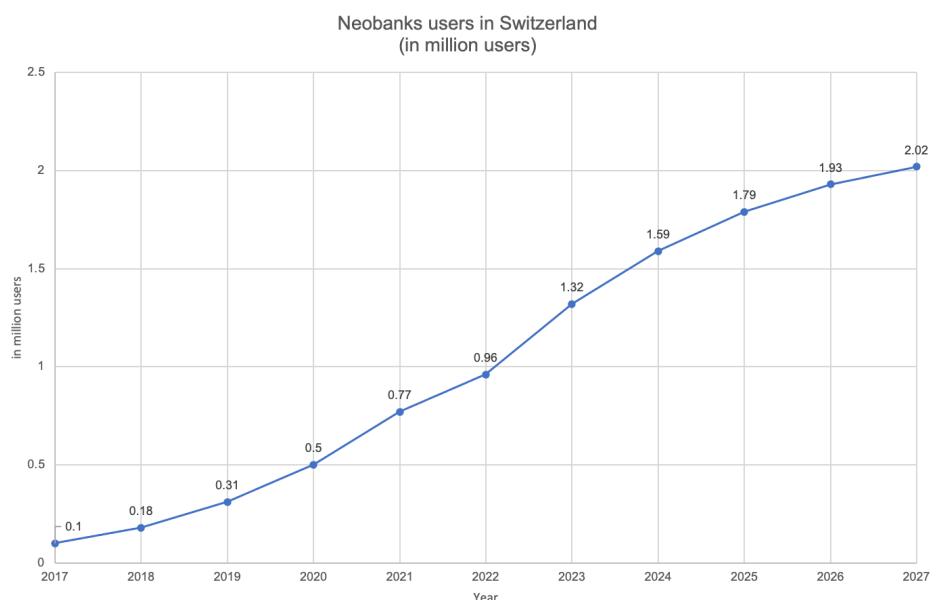
### 2.1.3.3 The case of Switzerland

Despite an established traditional banking industry, Switzerland is no exception to the digital banking trend.

#### 2.1.3.3.1 Neobanks in Switzerland

According to Statista, there were 100,000 people using digital banking services in Switzerland in 2017. In 2023, 1,320,000 people are using such a platform and it is planned that this number will continue growing in the next years (Statista 2023a).

**Figure 1: Number of users of Neo banking platforms in Switzerland**



Source: adapted from Statista Digital Market Insights Neobanking 2023

As shown in Appendix 1, fintech banks active in Switzerland can be divided into two categories. Those based in Switzerland and those based abroad (Beyeler 2023).

Thus, not all customers of these companies are equal when it comes to protecting their money. Indeed, while CSX, Zak, Neon and Yuh customers benefit from the CHF 100,000 depositors' guarantee that is mandatory in Switzerland, Yapeal's customers do not benefit from this because the company does not have a banking licence but only a fintech licence (Neo-banques.ch 2023).

In the case of the three digital banks based abroad, the situation could be more complicated for customers in the event of bankruptcy. Customers would have to claim their funds in the country where the Neobank has obtained a licence, such as Lithuania for Revolut. This makes the process more complicated for customers (Neo-banques.ch 2023).

#### **2.1.4 BigTechs**

Besides fintech banks, other important competitors are interested in the finance market and are announced as another major change for the industry and could obtain an important position in the market (Gorgun, Wolfs 2021): The BigTechs.

BigTechs are considered to be the largest technology companies in the world. We are talking about Apple, Google, Facebook, Amazon, Alibaba and Microsoft. They already have important technologies and a strong digital presence (Stulz 2019).

Currently, these companies are active in certain segments such as payments, credit, money market and insurance. Indeed, as these companies have large customer bases and are very active in online sales, their main goal in entering the field of finance was to overcome the lack of trust of customers in online transactions by offering secure payment methods (Gorgun, Wolfs 2021). Another source informs us that the increase in digital culture, the lack of trust in traditional banks and the attraction of the technological field for young graduates would have played a role in their entry into the finance field (Padilla et al. 2018). BigTechs are highly innovative and have access to a lot of customers' information which helps them to substitute for banks.

Currently, the majority of BigTechs are located in China or the United States and are much more developed there than in Europe (Gorgun, Wolfs 2021). A good example is Alibaba's Alipay. This company is the largest mobile payment application in the world and has over 700 million users (Stulz 2019).

Alibaba has created a subsidiary company called Ant Financial. Through this company, which operates an online bank, MyBank, the Alibaba group can provide credit to companies selling on its platforms. The process of granting credit is quite simple, thanks to the data collected on the sales platforms, Alibaba Ant Financial obtains information on the seller's historical and actual sales but also on the ratings left by customers. By using machine learning technologies, Alibaba can automatically assign credit scores to businesses that then benefit from credit lines on the platform. The whole process is

automated. With its in-depth knowledge of its customers, Alibaba is successfully taking the place of a traditional bank. (Stulz 2019)

#### **2.1.4.1 Why are BigTechs a threat to traditional banks?**

One of the main advantages of BigTechs over the banks currently on the market is the fact that they have important information about their customers which they collect as they do business and then analyse with their analytical tools and the help of artificial intelligence to influence customers' purchasing behaviour (Gorgun, Wolfs 2021). Thanks to this, they can create highly targeted banking services to satisfy the needs of their customers.

In the same spirit as fintech companies, BigTechs do not face as much regulation as traditional banks and therefore have lower operational costs than them. Indeed, regulations are not symmetric between both parties, but it is mainly to the advantage of BigTechs.

In addition to having access to their customers' information, BigTechs can also act as intermediaries between their customers and the banks. Indeed, they can act as a marketplace or a multi-faceted platform to offer their customers a wide choice of banks or non-banks for their loans or transactions on a single platform. As a result, banks will be forced to collaborate with these platforms and will be able to use their data to win the race for customers (Padilla, De la Mano 2018).

Bigtechs are also starting to be active in the field of credit. As mentioned before, Alibaba grants credits to its sellers in an automated way but it is not the only company to do so, its American rival Amazon uses the same process. By fulfilling the function of a lender, BigTech replaces the bank for their customers who do not need to rely on banks and their more complex processes (Gorgun, Wolfs 2021).

It is likely that in the future the banks currently in the market will have to cede some of their retail banking business to the Bigtechs (Padilla, De la Mano 2018). The main activities concerned are personal finance and lending to small and medium-sized enterprises (Stulz 2019).

#### **2.1.5 Possible impacts of fintechs entry on traditional banks' business model**

Given that fintech banks operate in the same segments as traditional banks, the latter's business model risks being affected if they do not react.

There are several risks for traditional banks. The first is losing market share. With new entrants offering similar products, usually at much lower rates, customers have more choice and more opportunity to change banks (Románova, Kudinska 2019).

Secondly, traditional banks also run the risk of losing revenues. As fintech banks apply very advantageous tariffs, traditional banks may be forced to reduce their margins in order to align. McKinsey even predicts that traditional banks' return on equity could fall by 7.2% by 2023. This goes hand in hand with a loss of valuation for these establishments on the markets (Czímer et al. 2022).

In addition, given that the traditional banking model is based in part on receiving deposits from customers in order to lend them to others, the fact that more banks are active on the market increases the competitiveness of receiving the deposits in question (Navaretti et al. 2018).

As more and more companies are active in the banking industry, traditional banks risk seeing their value proposition diminished. Indeed, during the 2019 International Conference on Information Management and Technology, it was revealed that the value proposition of banks could be impacted on 4 aspects: Disintermediation, Invisibility, Unbundling and Commoditization (Siek, Sutanto 2019).

Disintermediation refers to the fact that not only traditional banks are facing the arrival of Neobanks, but also non-banking companies that provide means of payment and even credit to customers, and as a result are losing market power. Invisibility refers to the fact that the more active companies there are, the less brand awareness there is in the industry for traditional banks. Unbundling involves a situation where, because there are more banking service providers, customers are not obliged to take all their services from the same place but can choose from a whole range of single providers. Finally, commoditization means that because banks are now competing with non-banks, they can no longer simply identify themselves as banks but must find a way to appeal differently to customers (Siek, Sutanto 2019).

Finally, as traditional banks are forced to change the way they operate, it is undeniable that their IT costs will also increase. Indeed, in order to offer services similar to those of neo banks, traditional banks will either have to find partnerships with technology companies or develop their own systems. It has been shown that since 2001, banks' IT costs have risen drastically, and by 2021 they had increased by 6 times (Martinez Peria et al. 2022).

## **2.2 Evolution of Customer Behaviour**

### **2.2.1 The role of banks in accompanying customers into the new digital world**

In the past years, banks have made large investments in technology to reduce the costs of delivering their services. Indeed, by increasing the services available online and outside business hours, banks want to reduce unprofitable activities to focus on those that bring them more profit. These investments have been mainly created by the arrival of ever more innovative technologies.

However, banks have sometimes forgotten to consider that some customers would not adopt digital solutions so that they would visit branches less for basic transactions. For this reason, banks sometimes actually face additional costs in maintaining both digital and physical channels since customers can choose to use one or both. If both channels of interaction are maintained, banks must continue to invest in technology while retaining the costs of traditional interactions such as bank branches (Sarel, Marmorstein 2002).

Banks wishing to convert their customers to digital platforms have sometimes neglected certain elements that could have increased the number of users of these platforms. Communication and training to customers on these new technologies was often omitted, creating a negative feeling for customers who did not want to change. Indeed, traditional banks often focus on how to reduce costs but not on how customers perceive the new technology (Sarel, Marmorstein 2002). Apart from communication, customer trust in the technology as well as in the bank also plays an important role in the acceptance of digital solutions and should therefore be considered by banks when establishing digital strategies (Alsajjan, Dennis 2006).

Another element that has an important impact on the acceptance of the use of digital banking platforms is the customer's perceived value. (Zeithaml 1988) defines perceived value as “the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given”. This implies that if the client perceives that what they receive is not worth the effort, they will be less likely to change their behaviour. Thus, banks should put emphasis on the value they provide to customers through their digital platforms.

### **2.2.2 Online Banking in Switzerland**

For several years now, more and more people have been using banks' digital platforms such as websites and mobile applications. These platforms allow customers to manage their finances remotely.

They can consult their accounts, make payments, manage their credits, or make investments. Through these applications, customers have less need to physically visit a branch.

As a result, there has been a worldwide decrease in the number of bank branches (International Monetary Fund 2021). In Switzerland, since 2012, the number of branches has decreased by more than 25% (Raemy 2022) while the number of people using e-banking continues to grow.

A survey conducted by the Lucerne University of Applied Sciences revealed that almost 90% of Swiss citizens would use online banking services while the remaining 10% would refuse using them (Dietrich et al. 2020). In contrast to the Lucerne University of Applied Sciences, Statista estimates the penetration ratio of online banking at around 68.08, which is about 20% lower than the study conducted by the university (Statista 2023c). Another study by Statista also found that only 39% of people in Switzerland using digital platforms would be willing to manage their finances solely in this way (Statista 2023b). The behaviour of customers regarding the management of their finances is undeniably changing. Therefore, it is important for traditional banks to take this into account when building new strategies.

### **2.2.3 Payment methods in Switzerland**

In Switzerland, a survey on means of payment carried out by the Swiss National Bank revealed that the majority, 97%, of people living in Switzerland always had cash at home or in their wallets to cover their daily expenses (Swiss National Bank 2020). The survey also revealed which means of payment were most used by the population according to the type of transaction. Recurring transactions, such as bill payments, subscriptions, and rent, are mostly done on online banking platforms. Non-recurring transactions are still mostly done by cash, considering the total number of transactions and their amount.

These data show that Swiss residents still show a strong attachment to cash and not so much to the use of digital payments. As far as laws on the use of cash are concerned, Switzerland appears to be one of the most permissive countries. Indeed, the Anti-Money Laundering Act states that only cash transactions of more than CHF 100,000 need to be

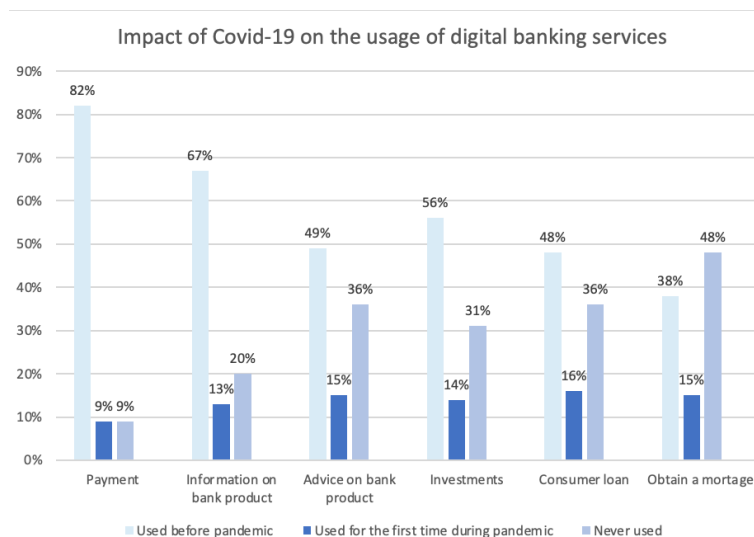
further investigated (Swiss Confederation Anti-Money Laundering Act, article 8a). Compared to other countries such as France or Spain where the maximum amount is EUR 1,000 (Centre Européen des Consommateurs France, 2022), Switzerland offers a greater freedom in the choice of payment methods for all types of transactions.

When it comes to recurring payments, it is clear that Swiss residents have become adept at online banking. Cash no longer dominates this type of payment. However, it also appears that Swiss consumers are not ready to give up on cash completely.

## 2.2.4 Impact of Covid-19 on customer behaviour

Covid-19 has had a significant impact on banks and customer behaviour. Indeed, during the pandemic, cash payments were avoided, so an increase in card and contactless payments took place. In addition, many institutions had to close or reduce their opening hours due to restrictions on physical interactions. The restrictions caused more people to use the banks' digital platforms (Baicu et al. 2020). A survey launched by Deloitte on the impact of Covid 19 on banks showed a general increase in the use of digital services offered by banks. The biggest increase was in consumer credit applications, where 16% of respondents used the service for the first time during the pandemic.

**Figure 2: Impact of Covid-19 on the usage of digital banking services**



Source: Adapted from Deloitte (2020)

Deloitte also predicts that in the next few years 40% of physical touch points will be replaced by digital interactions (Deloitte 2020). In view of this, banks are already thinking about reinventing their branch models. Credit Suisse, for example, has renovated its Geneva headquarters to focus on advisory services rather than basic transactions such as counters transactions and payments. The branch has digital desks and smart screens



that allow advisors to present information to clients interactively and to invite specialist advisors at any time during the meeting (Allnews 2022). The pandemic has had an undeniable effect on the business model of traditional banks, and these changes, although they have happened very quickly, are here to stay. As a result, traditional banks need to establish a new long-term vision for their model (Baicu et al. 2020).

### **2.2.5 Building strategy around customers**

When we talk about establishing a product and service offer for customers, marketing appears to be a fundamental element. Indeed, the basis of marketing is to be able to understand, respond and satisfy the needs and desires of customers.

In previous years, traditional banks have not been very responsive to the needs of customers and have tended to rely on what they have, even though customer behaviour is changing, and new competitors are coming in, creating a threat for themselves. Indeed, traditional banks have focused on the needs that customers express by themselves but have not addressed the needs that they do not necessarily express (Anand, Mantrala 2019).

The gap created by traditional banks has benefited digital banks which, thanks to the use of advanced technologies such as big data and artificial intelligence, have been able to address the needs and desires of customers in depth (Anand, Mantrala 2019). The needs and desires forgotten by traditional banks and understood by digital banks include personalized services available anywhere and anytime, offering customers a seamless experience in their daily lives but also very low or no fees (Anand, Mantrala 2019).

In his book “Bank 4.0: Banking Everywhere, Never at the Bank”, Brett King identified 4 possible strategies for traditional banks. 1) Is to make no change, thus accept that they will become obsolete in the face of new competitors. 2) To start collaborating with a fintech company, which is a faster and cheaper solution because fintechs already have the necessary technology in place. 3) Buying a fintech company, which would be expensive and risky in terms of corporate culture 4) Trying to replicate the fintech bank model, which could be slow and very expensive (King 2018). Another strategy that could be exploited by incumbent companies is to exit the target market and concentrate on other markets where they are not threatened (Anand, Mantrala 2019). This strategy should be used if the fintech company concerned implies a threat both at market-level and innovation level.

## **3. Methodology**

### **3.1 Data collection**

To answer the problematic of the thesis which is to determine how traditional Swiss banks should position themselves in the face of the arrival of new competitors and changes in customer behaviour, several types of data were collected including primary and secondary data. Primary data include a survey, and an interview and secondary data include scientific articles, targeted research, statistics, laws, companies' websites and newspapers.

#### **3.1.1 Secondary data**

The introduction and literature review sections are based solely on secondary data collection. To collect the data, several tools were used, including ScholarVox for E-Books, Google Scholar for scientific articles, Sonar for previous bachelor theses but also Google searches using keywords. Using these tools provides a large amount of data which is then compiled to provide a succinct overview of the banking environment in the face of new competitors such as fintechs and BigTechs but also changing customer behaviour.

#### **3.1.2 Primary data**

##### **3.1.2.1 Survey**

In a second phase, a survey on the digitalisation of banks was launched using Qualtrics to understand customers' behaviour towards the digitalisation of banking services and opinion on traditional banks' business model. The survey was organised in four parts. The first part was the introduction which allowed respondents to understand the purpose of the survey and its main themes. The second part concerned the criteria people use to choose their bank and included five questions. The third part, comprising thirty questions, is about the digitalisation of banking services and focuses on the needs, desires, and preferences of customers. Finally, the last part contains four questions that deal with the demographics of the respondents and includes criteria such as age, gender, employment status and location.

As the aim of the survey is to understand customers' needs and desires regarding the digitalisation of banking services, some questions were not asked to all participants and depended on other answers. For example, question 8 "Without using digital tools, how do you manage your banking relationship and get the services you need?" was only

relevant to people answering “no” to question 7 "Do you use your bank's digital platforms (web and mobile app)?". Display logic is an option provided by Qualtrics that allows to get more insights on a certain topic. All surveys questions and logics can be found in Appendix 2.

Conducting a survey using the Qualtrics tool enabled to obtain valuable information from people of different generations, genders, and backgrounds. In addition, the tool allows responses to be anonymised, which encourages respondents to answer more freely and to be more honest (Braun et al. 2021). Online surveys also make it possible to obtain a large amount of data as the survey link can be shared in different ways, such as by email, by message or on social networks. As a result, the target audience can be reached more easily.

However, it is not possible to control how people respond to the survey. Some people have started the survey but not completed it, so not all questions will have the same number of respondents. In order to obtain as much information as possible from Swiss bank customers, it was decided not to delete incomplete survey responses but instead to indicate the number of participants for each response and to analyse the results according to the number of participants for each question.

### **3.1.2.2 Interview**

In order to get insights from within the industry, and more precisely from the point of view of traditional banks, an interview was run with a traditional bank's branch manager. The interview focused on understanding current trends among customers coming to branches but also on what traditional banks plan for their future with regards to the arrival of new competitors. The goal was to get data from both sides, customers and banks. Running an interview allows to get deeper in the answers of the participant and to get insights that could not be retrieved in a survey due to the limitation of possible answers.

## **4. Results**

### **4.1 Survey results**

As explained in the methodology section, a survey was carried out to collect data on the needs, desires, and opinions of bank customers regarding their digitalisation and the arrival of new competitors, mainly fintech banks. As the survey was not completed in its entirety by all participants, the number of complete responses was 75 and the number of incomplete responses 31. Incomplete responses have not been deleted, but the number of participants is indicated for each question.

#### **4.1.1 Demographics of participants**

##### **4.1.1.1 Age**

In order to refine the analysis of the survey results, the responses to the question concerning the age of the participants were separated into 5 categories according to the definition of generations established by the Pew Research Center. Generation Z, aged between 12 and 26; the Millennials, aged between 27 and 42; Generation X, aged between 43 and 58; the Baby-boomers, aged between 59 and 77; and the Silent generation, aged between 78 and 95 (Dimock 2019). The survey shows that out of 75 respondents, a great number of them, (41%) are from Generation Z, followed by Millennials (31%), Baby Boomers (15%), Generation X (9%) and the Silent Generation (1%). The oldest generations among the respondents, including Generation X, Baby Boomers and the Silent Generation, together represent only 25% of participants, so the results may not be very conclusive as far as they are concerned. Furthermore, only one respondent from the Silent Generation replied to the survey, implying that the results for this generation could not be representative.

##### **4.1.1.2 Genders**

Among the participants, 39% identified themselves as male, 60% as female and 1% did not respond to this question. 75 participants answered this question.

##### **4.1.1.3 Background**

Survey participants come from a wide variety of backgrounds. Out of the 75 participants, 52% are employees, 25% are employees and students, 9% are students only, 11% are retired and 3% are unemployed.

#### 4.1.2 Satisfaction regarding banking services and bank choice

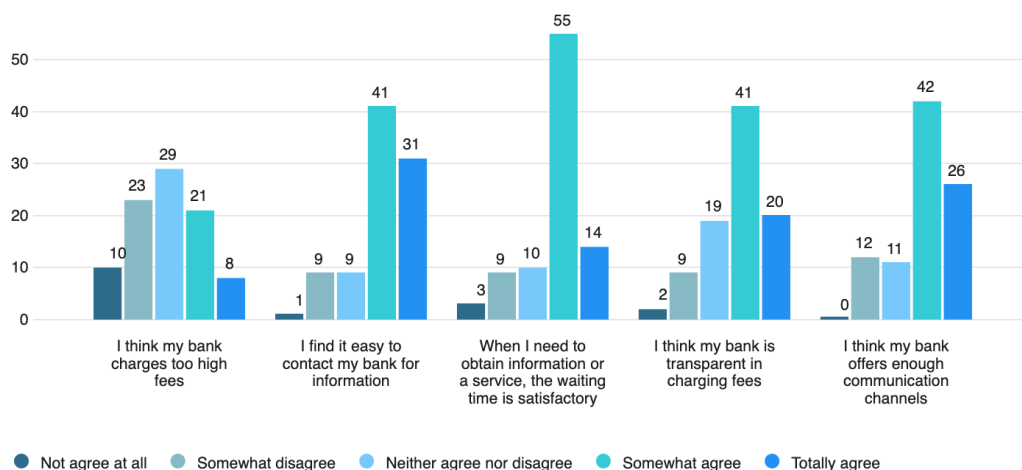
In order to understand how bank customers choose which bank to entrust their money to, participants were asked on what basis they chose their current bank. 101 participants answered the question and most of them chose their bank based on a recommendation from friends, family, or employer. The second most influential factor was the bank's reputation, followed by the quality of service provided, price and the quality of the digital platform. One answer was not selected by any of the respondents: choosing a bank after seeing an advertisement, implying that advertising campaigns run by banks might not have a lot of impact. Moreover, 96% of those participants indicated that they were currently satisfied by their current bank.

Participants were then asked to give their opinions on phrases to gain a better understanding of the factors contributing to their satisfaction. As shown in Figure 3, some elements appear to be highly important for customers such as ease of contact, waiting time, transparency in fees, and availability of a wide range of communication channels. However, opinions on the fees applied by banks are more balanced between thinking that banks charge too high fees or not.

**Figure 3: Factors contributing to satisfaction.**

#### Q4 - What is your opinion on the following statements:

91 Responses



As communication channels appear to be an important factor contributing to customer's satisfaction but also highly impacted by new technologies, participants were asked to disclose their favourite communication channel with their bank. Of over 90 respondents, 50% prefer to communicate by phone. Digital platforms come as the second most preferred channel with 33% of responders. Branch visits, e-mail and mail are the least used communication channels.

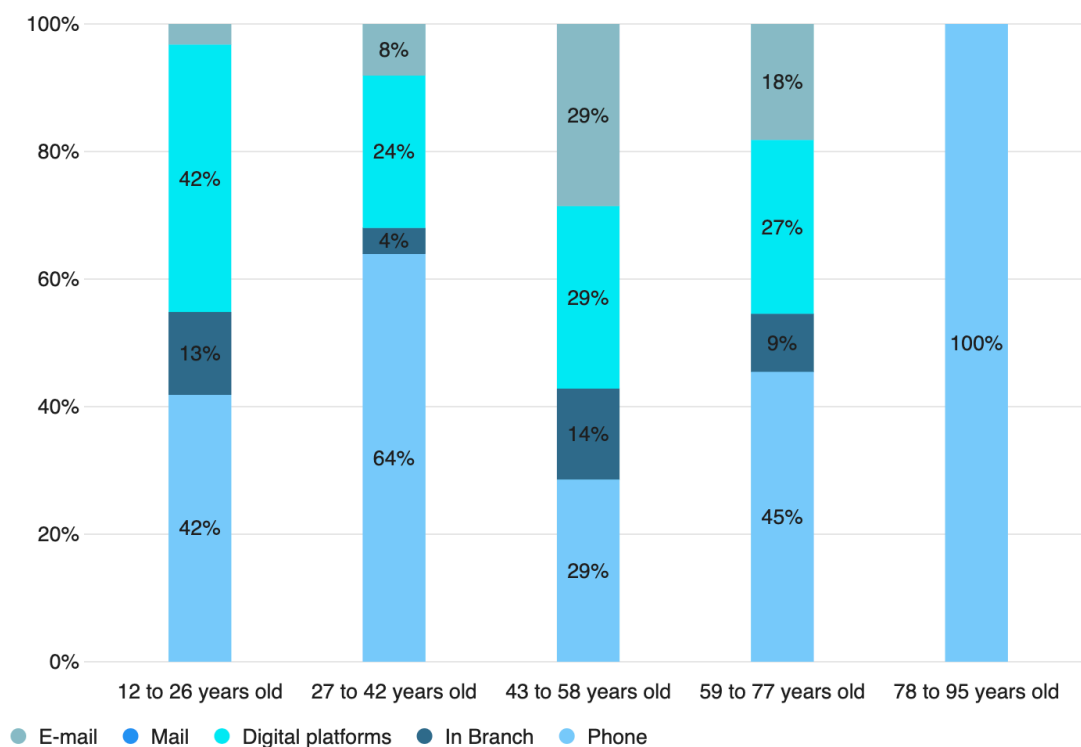
#### 4.1.2.1 Generational analysis

When it comes to communicating with banks, it appears that there are some generational differences.

**Figure 4: Communication channel preferences by age group**

**Q5 - What is your favorite way of communicating with your bank?**

75 Responses



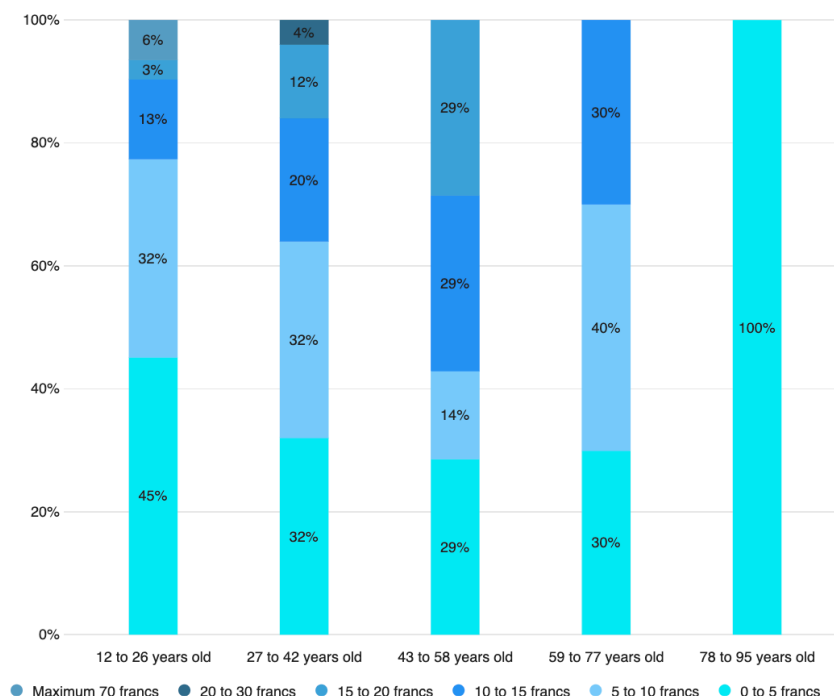
As shown by Figure 4, younger generations, such as Generation Z and Millennials have clear preferences for digital platforms or phone. However, for Generation X and Baby-boomer's preferences are more spread among all choices. Generation X would preferably use the phone, digital platforms and E-mail and lastly go in branch. Baby-boomers and the Silent Generation have a high preference for phone conversation.

When it comes to the fees people are ready to pay for their banking services, generational gaps also exist. Figure 5 display those differences. It shows that Generation Z, Millennials and Baby-Boomers are on majority ready to pay between 0 and 10 francs per month while Generation X participants would mostly be ready to pay between 0 and 15 francs. Silent Generation, that comprises only one participant, would prefer to pay the lowest fees that is, 0 to 5 francs.

**Figure 5: Customer's willingness to pay for banking products and services.**

Q6 - How much are you willing to pay per month for the banking products and services you use?

74 Responses



### 4.1.3 Digitalisation

Regarding the digitalisation of banks, participants in the survey answered a number of questions about their use of banks digital tools, their needs and desires, and the future of traditional banks. The aim of this part of the survey was to understand how customers understand and value the digitalisation of banking services, but also to find out how they use their bank's digital platforms and what factors may influence their use.

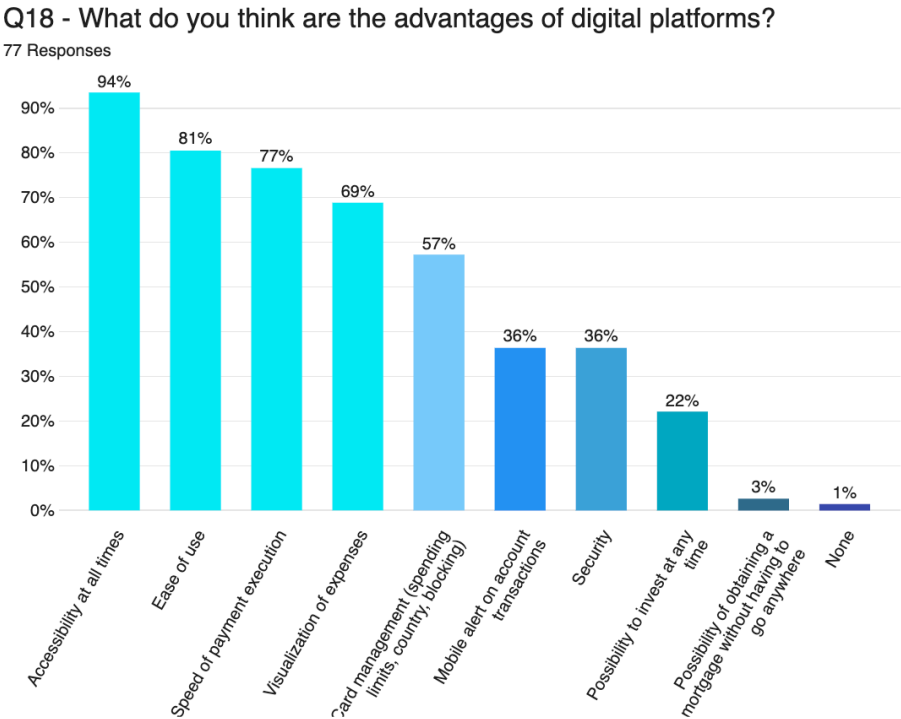
#### 4.1.3.1 Digital tool usage

##### 4.1.3.1.1 Digital platforms

Of over 87 participants, 94% answered that they were currently using their bank's digital platforms. Among those who do not use them, representing 6% of participants, they indicated that to manage their banking relationship they go in branches or communicate over the phone. The reasons for them not using such platforms vary. 60% of participants indicated they were not using digital platforms for security concerns, 40% because they preferred to have a real contact with an advisor and 20% because they find such platform too complicated to use. Participants could choose several options for this question.

The survey also aimed to determine what customers consider to be the advantages of digital banking platforms. Figure 6 highlights what customers think are advantages of digital banking. It appears that ease of use, all time accessibility, expense tracking and rapidity of payment execution are seen as advantages. Right after, we find card management, security, and mobile alerts. The possibility to invest or obtain a mortgage at any time are not really considered as advantages by customers. Indeed, those services usually require more in-depth and personal advice. Participants were then asked to indicate how important these advantages were to them. By importance of advantages, we mean the advantages that are most important to customers and that they could not do without. Security, ease of use and accessibility are extremely important for the majority of participants while visualization of expenses, speed of payment execution and card management are very important. The possibility to invest at any time and to have mobile alerts are moderately important. Lastly, obtaining a mortgage at any time is not an important advantage.

Figure 6: Advantages of digital platforms



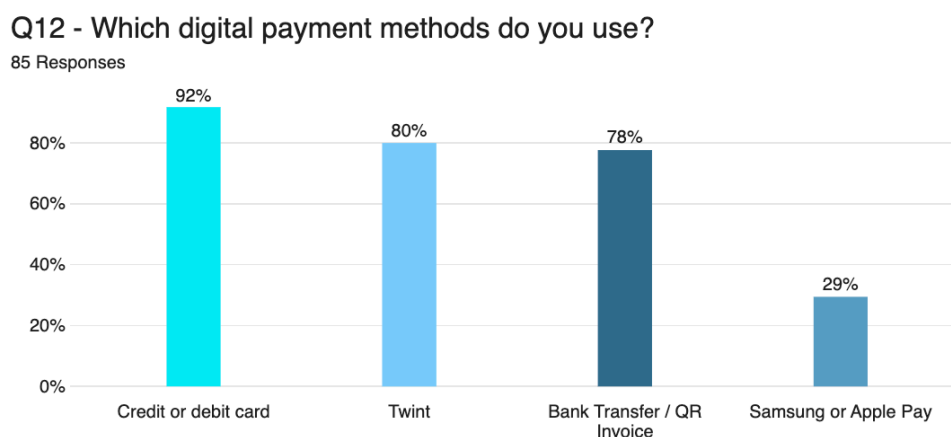


#### 4.1.3.1.2 *Digital payment methods*

When it comes to the usage of digital methods of payment, here again most participants, 99% out of 87, indicated that they use such tools. The only person surveyed who said they only use cash does so only because they are not comfortable with digital tools.

When it comes to the most commonly used digital payment methods, and as Figure 7 shows, not all the tools offered by banks are used in the same way by participants. Credit and debit cards are used by 92% of participants, Twint by 80%, bank transfers and QR invoices by 78% and, finally, Samsung and Apple Pay are used by only 29%. The first three methods are provided directly by the banks, while the latter, Samsung and Apple Pay, are external companies.

**Figure 7: Digital payment methods usage**



#### 4.1.3.1.3 *Digital services*

Participants who indicated they were using digital platforms were also questioned about which services they use on those platforms. The most used services are online payments, consultation of balances, expense tracking, consultation of credit and debit cards by respectively 77, 79, 62 and 63 of participants. The least used services appeared to be those who generally involve more in-depth advice such as real estate financing, investments and pension planning with respectively 5, 20, 20 of participants currently using them. When it comes to the order of importance of those services for customers, the majority indicated online payment as the most important one and real estate financing as the least important one.

#### 4.1.3.2 Transitioning to digitalised banking

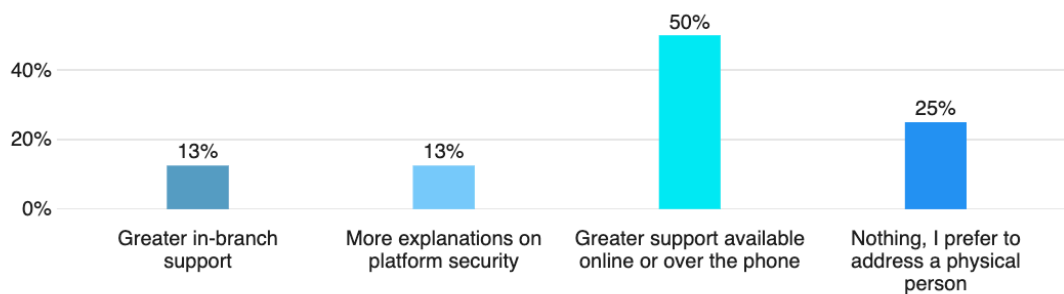
Digitalisation being an important concern today, the survey also aimed to understand whether all customers were equal when it came to understanding new technologies and to understand whether certain factors could affect customers' decision to use the digital tools and services provided by banks. Participants were asked if they think they are supported enough during their transition to a more digitalised banking world.

Among 86 respondents, 88% feel that they are supported enough while 12% think they would need more support. Those who said they needed more support also indicated that the main reason for this was that there is currently not enough training for customers. However, other reasons exist, such as difficulty of use (20% of participants) and the fact that some participants feel overwhelmed, as is the case for 10% of them. The survey showed that while part of banks' customers is still reluctant to use banking platforms, some factors could influence positively their behaviour towards digitalisation. 50% of participants who do not yet use digital tools said they would use them more if more help were available by telephone or online. 13% of them would also appreciate greater in-branch support and explanations on security. It also emerged that 25% of them would not change their behaviour even with greater support from the branches and do not wish to use the banks' digital services.

**Figure 8: Factors that could positively influence people's behaviour towards digital tools.**

Q17 - What factors could help you make more use of your bank's digital platforms?

8 Responses



As digitalisation might not be experienced the same way by everybody, participants were asked to give their opinion on some sentences. The aim of this question is to understand whether digitalisation is implemented properly by traditional banks in Switzerland and to get insights from customers on those topics.

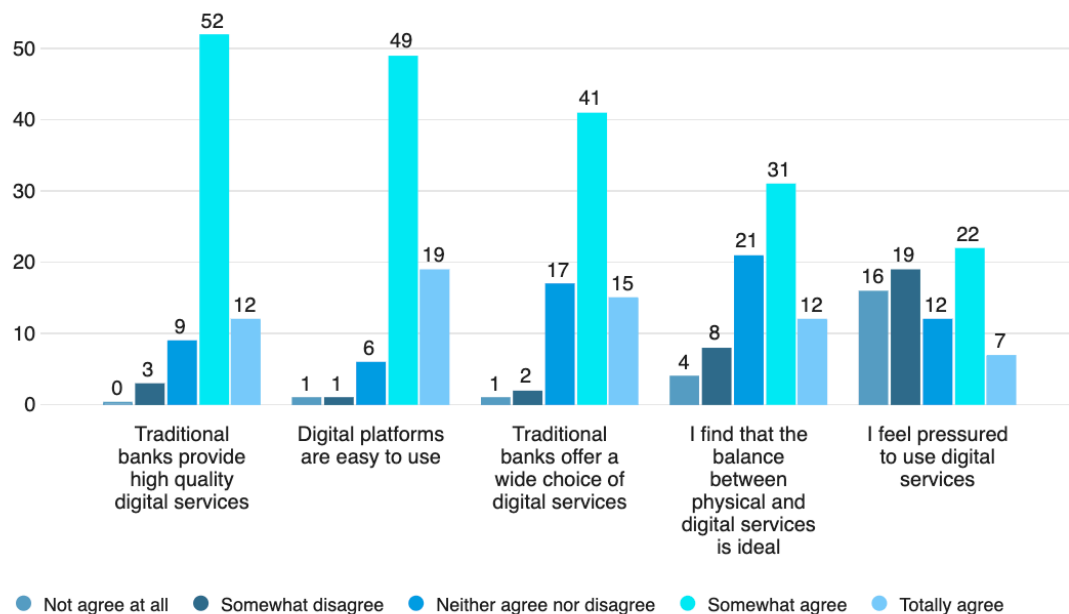
As shown in Figure 9, the majority of respondents were clearly positive on three subjects. In fact, out of 76 participants, 64 find the digital services provided by traditional banks to be of good quality, 68 find that the platforms are easy to use and 56 find that the range of digital services offered to be satisfactory. However, the two other topics, which concern the balance between physical and digital services and the potential pressure applied on customers to use digital services obtain more divergent opinions. Indeed, over the 76 participants, 43 think that the balance between physical and digital services is ideal while 33 think it is not. Moreover, when it comes to the pressure to use digital services, 29 participants indicated that they feel some pressure while 35 indicated that they do not feel pressured.

It therefore appears that, although the general quality of traditional banks' digital platforms is appreciated by the majority of customers, the aspects relating to freedom of choice between physical digital services are more sensitive for customers and, as a result, receive more mixed reviews.

**Figure 9: Customers' opinion on the digitalisation of banking services and products**

#### Q20 - What is your opinion on the digitisation of the banking services and products

76 Responses



Participants who disagreed about the quality of digital services, the balance between digital and physical services and those who felt forced to use digital services were asked

to give more details of their opinion during the survey. This is in order to better understand how banks could change their approach.

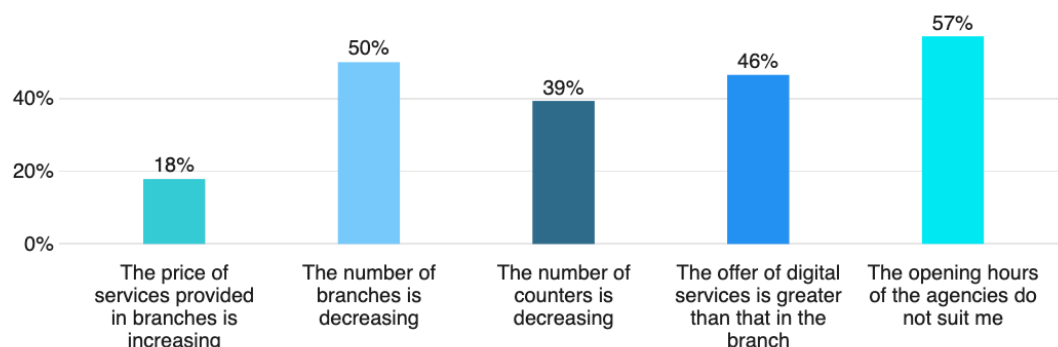
The 3 participants that do not agree with the fact that traditional banks provide high quality digital services indicated several reasons for this. 100% of them think that platforms are too complicated to use, 67% of them that the range of service is not extensive enough and 33% that platforms are too slow.

Out of the 29 participants that feel some pressure to use digital banking services, 28 of them were able to provide more details on this opinion. As shown by Figure 10, 57% of those 28 participants think that branch opening hours do not suit them, 50% have noticed a decrease in the number of branches, 46% of them think that the digital offering is greater than the physical offering, 39% have noticed that the number of counters is decreasing and lastly 18% of them feel that the price of in-branch services is increasing.

**Figure 10: Detailed opinion on the pressure to use digital services.**

#### Q21 - Why do you feel pressured to use digital services?

28 Responses



### 4.1.3.3 The future of traditional banks

In order to better understand how customers perceive the future of traditional banks, they were asked several questions on their opinion on the future of banks' branches and also on the future of banking companies including fintech banks.

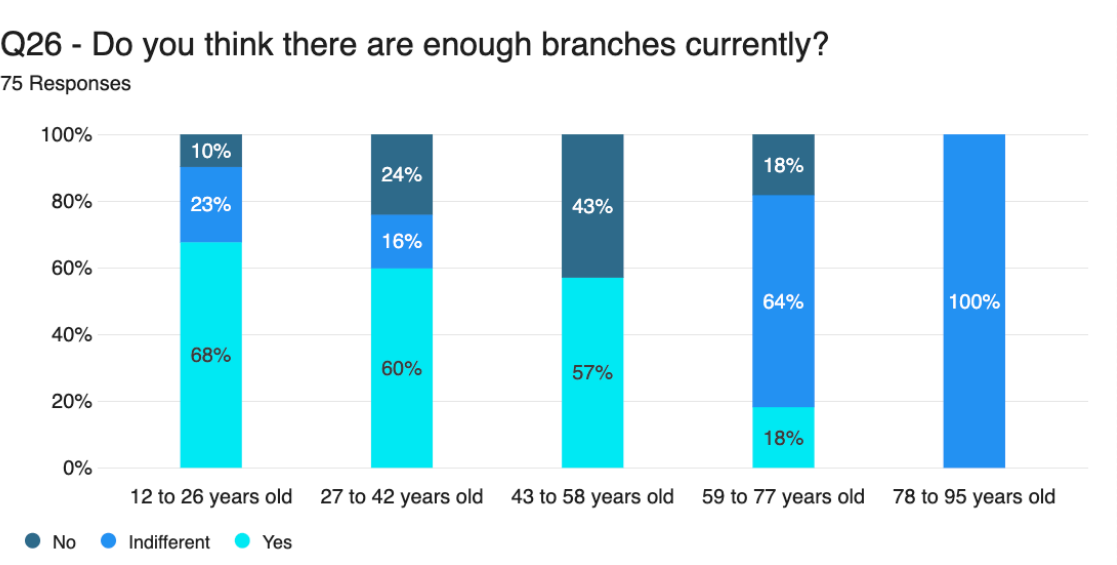
#### 4.1.3.3.1 The future of banks' branches

The survey clearly showed that customers still enjoy banks that have a physical presence. Out of respondents, 95% answered that it is important that traditional banks maintain their physical presence through their branches. 4% were indifferent to this and only 1% think that physical presence is not necessary. However, out of 75 respondents,

75% indicated that they would not be willing to pay more fees to maintain branch services and only 25% of them would be willing to do so.

When asking participants if there are currently enough branches and by separating answers according to age category, we can see that there are differences between generations.

**Figure 11: Opinion on the number of branches by generations**



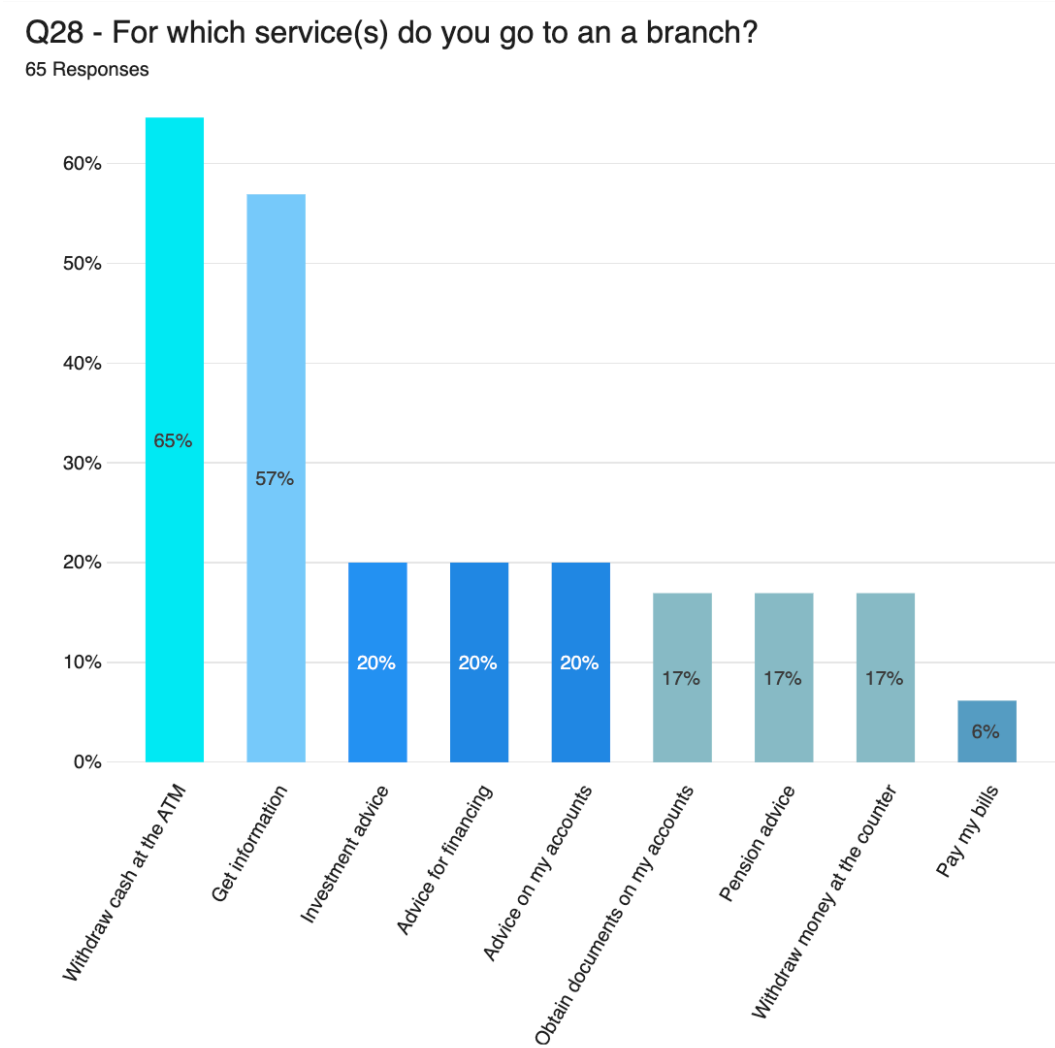
The results of the survey show that as the age of the generation increases, fewer participants feel that there are enough agencies at present. Here we see that in Generation Z, Millennials and Generation X, the majority thinks that the number of branches is sufficient. However, when it comes to Baby Boomers and the Silent Generation the majority is mostly indifferent and the percentage of respondents thinking that there are enough branches is much lower than in the three younger generations.

While most people would appreciate that traditional banks maintain physical presence and think there is enough branches currently, most of respondents do not often visit banks' branches. Indeed, 33% of 75 respondents answered that they were visiting a branch several times a year, 31% only once a year and 13% never go to their bank physically. The remaining 23% of respondents visit their bank on a regular basis, either monthly or weekly.

Participants who still go to their bank's physical branches were asked what types of services they go there for. Out of 65 participants, 65% said they went there to withdraw money from the ATM, 57% to obtain information, 20% to obtain advice on investments, financing, or their accounts, 17% to obtain documents, for advice on their pensions or to

withdraw money from the ATM. Finally, only 6% of participants still go to the bank to pay bills. As Figure 12 shows, banking services that no longer necessarily require a physical visit to the bank, such as advice on investment, financing, pensions, or accounts, as well as obtaining documents or paying bills, are less in demand in branches by customers. We can also see that even when it comes to cash withdrawals, which still require customers to be physically present, self-service tools are still preferable to staffed counters.

Figure 12: In-branch services used by customers.



There are several reasons why bank branches still seem to have the upper hand among participants. During the survey, participants were asked why they would sometimes prefer to go to a branch rather than use digital platforms. Participants could choose several answers. Of the 65 participants who still go to agencies, 48% do so because they sometimes prefer to talk to a real person, 37% because they think the service is

good, 38% find it the most efficient way of getting what they want and 23% do so out of habit.

#### **4.1.3.3.2    *The future of traditional banks business model***

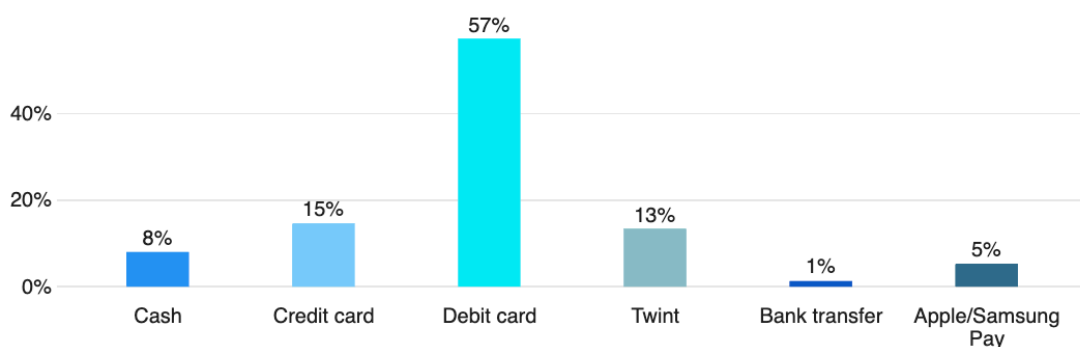
As new competitors are entering the Swiss banking industry, it was important to gather Swiss customers' knowledge and opinion on those competitors' business model which is only online.

Among 75 participants, only 28% could already imagine a world with only digital banks and 72% could not. This goes together with the fact that Swiss customers want traditional banks to maintain a physical presence. However, when it comes to payment methods, more people, 44% of respondents can already imagine a world without cash while 56% cannot. Indeed, the offering of digital payment methods has been increasing since several years and was even more in the spotlight with covid. Participants were asked what their preferred payment method is. Out of 75 participants, 57% chose debit card, 15% credit card, 13% Twint, 8% cash, 5% Apple and Samsung Pay and 1% bank transfer. Results as shown in Figure 13 clearly show that digital payment methods are very successful, to the detriment of cash, which is preferred by only 8% of people.

**Figure 13: Preferred payment methods**

#### **Q33 - What is your favorite payment method?**

75 Responses



As far as Swiss customers' knowledge of fintech banks is concerned, the vast majority, 79% out of 75 participants, said they were aware that such banks currently exist. However, only a minority, 39%, had ever used these services. A closer look at the results shows that there are differences between the generations surveyed. Figure 14 shows that only in the youngest generation, which is Generation Z, most participants, 55%, have already used fintech banks in Switzerland. In the other generations, such as Millennials

and Generation X, some participants, respectively 36% and 43% have already used such banks but most respondents belonging to those generations have never used them.

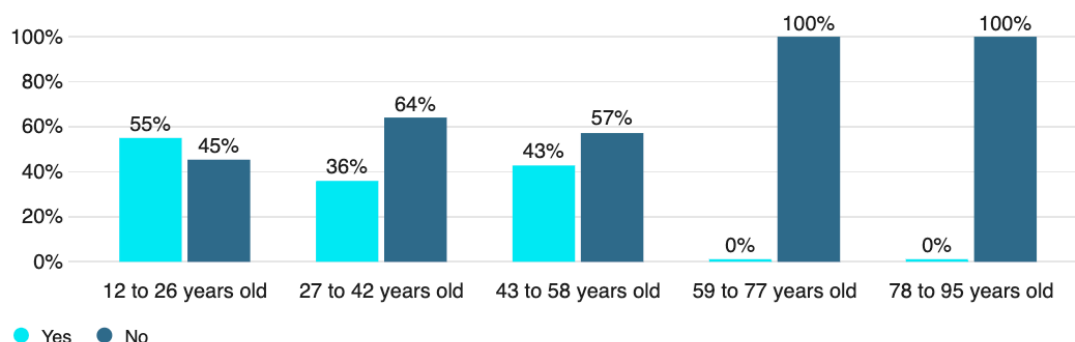
Although the neo banks' business model undeniably impacts on that of traditional banks, the survey showed that the characteristics of traditional Swiss banks, such as physical presence, personalised advice in branches, the availability of digital platforms and the diversity of communication channels, are considered to be very important to extremely important by the majority of participants. The only point considered moderately to not at all important by the majority was the maintenance of physical branches.

Lastly, the 29 survey participants who have already used a fintech bank in Switzerland were asked what they thought the advantages of such banks were. 23 participants indicated that such banks have better pricing, 11 that more services are available online, 9 that they have no need to go anywhere to obtain services, 7 that their digital platforms are the best, 4 that fintech banks have better account ranges and only 1 that such banks have quick customer service response.

**Figure 14: Fintech banks usage by generations**

#### Q35 - Have you ever used any of these banks?

75 Responses



## **4.2 Interview results**

The aim of the interview, conducted with the branch manager of a traditional bank, is to obtain the bank's point of view on digitisation and on the behaviour of customers who visit branches. It was only possible to carry out one interview with a branch manager, however, to ensure conclusive results, more interviews could have been conducted.



#### **4.2.1 Changing customer behaviour at bank branches**

According to the interviewee, traditional banks have been facing a decline in branch visits and physical counter usage for several years now. For this reason, the number of branches and counters is decreasing and branches are concentrating more on advising customers.

Thanks to the arrival of digital platforms, many operations that used to require customers to be physically present, such as making payments, checking accounts, modifying products, and buying shares on the stock market, can now be carried out using a personal computer or a smartphone. As a result, traditional branch operations are now carried out via digital platforms, which in turn are being used more and more.

In addition, a change in customer demographics has been observed. The person interviewed said that although you might think that the people who still go to agencies are the oldest, this is not in fact the case. The fact is that older people are now more and more comfortable with the internet and digital tools, so it is not just older people who go to branches but a mix of all generations.

#### **4.2.2 The future of banks' branches**

The interviewee pointed out that although digitalisation has clearly led to a reduction in the number of agencies, they are not destined to disappear but rather to be transformed. Indeed, bank branches make it possible to maintain human contact between advisers and customers.

The bank interviewed has, for example, transformed its branches to make them meeting points for customers and specialists. As a result, branches now focus more on advising customers than on traditional operations. They are also equipped with innovative tools that combine physical contact with the latest technologies to provide a comprehensive service to customers in the branch.

#### **4.2.3 Banks support for their customers in the digital transition**

As highlighted by the survey, factors such as security, complexity of use and a preference for human contact can sometimes deter customers from using digital tools.

However, the bank interviewed pointed out that it was not inactive in the face of customers' fears and concerns.

With regard to the security of digital platforms, the interviewee indicated that there were almost never, if ever, any complaints or problems with platform security. Most cases of

fraud or complaints concern stolen cards and card codes. In fact, the processes used are always controlled and always more secure so that customers have no problems.

When it comes to the banks' role in helping their customers to use digital platforms, the bank has a number of things in place.

Firstly, they are always gathering feedback from customers on their applications so that they can continue to improve them and make them as easy to use as possible. The aim is to make it as easy as possible for customers to understand how to carry out their transactions.

Secondly, the bank organises classroom sessions in branches to explain to customers how to use the platforms and give them demonstrations. In addition, customers can go to the branch with their login details to get help with connection or on how to carry out certain operations. Customers are not left to face the digital world alone and the bank recognises that it needs to make an educational effort on its side because what may seem logical to someone familiar with the product is not necessarily so for the customer.

Customers also have other support options, such as FAQs on the website and a hotline available to help them from home.

#### **4.2.4 The case of in-branch services**

The survey also revealed that some customers sometimes feel forced to use digital tools because the number of branches and counters is falling, opening times are inconvenient and the price of in-branch services is rising.

When asked about this, the interviewee revealed that it was indeed an existing problem. In-branch services require more infrastructure but also more staff, so the costs of services carried out physically in a branch are sometimes more expensive. Digital services, on the other hand, require less physical infrastructure and staff and are therefore usually free. As an alternative to in-branch fee-paying services, the bank always offers a no-fee alternative, mainly through the use of digital platforms.

As far as the physical branches are concerned, the interview revealed that they are indeed destined to disappear but will surely be maintained on the banks' main sites. Banks are offering a wide range of digital payment methods, as well as self-service ATMs for depositing and withdrawing cash. However, it was also revealed that cash is still very popular in Switzerland. In fact, some people prefer cash because it cannot be traced in the same way as digital payments. The younger generation, for example, are well aware

of what technology has to offer and may sometimes prefer cash because, without traceability, it is impossible to know their purchasing preferences and therefore to advertise to them as intended.

#### **4.2.5 The case of new entrants: Fintechs & BigTechs**

According to the interview, traditional banks have no choice but to adapt to these new competitors. The interviewed bank has already begun to adapt its offering to that of the new banks. In fact, there are now completely free offers that allow traditional banks to compete with fintech bank, with undeniable advantages such as very solid support infrastructures and a greater variety of services offered online, such as mortgages or private loans.

BigTech companies, such as Google and Amazon, are also seen as major competitors. A company like Amazon can, according to the interviewee, have complete access to the customer, from buying clothes or food to financing, and know their spending habits far better than a bank.

The interview also shows that traditional banks could have significant advantages over fintechs and BigTechs. Indeed, although it is clear that a repositioning is needed, traditional banks have a superior infrastructure and knowledge of complex transactions that these two types of company do not have. Furthermore, as fintech banks are not necessarily recognised by the authorities or sometimes based abroad, the deposit guarantee does not apply, and customers are less protected than in traditional banks.

## 4. Discussion & Recommendations

### 4.3 *Discussion*

As seen in the literary review, the survey results and in the interview results, new innovative technologies are available to banks and Neobanks to offer customers high-quality digital services. These technologies are developing rapidly and becoming ever more powerful. In addition, although the report does not deal with the subject, even more advanced technologies will probably be offered to customers in the future, such as metaverse, which would enable customers to immerse themselves in a virtual world and perhaps even visit their bank with a headset from their sofa.

The rate of technological development and improvement is extremely rapid, and sometimes even too rapid for both customers and traditional banking institutions to keep up with. In fact, traditional banks have less technological IT systems than Neobanks, which make extensive use of blockchain, big data and artificial intelligence to reduce costs and improve efficiency. Traditional banks face higher costs than these new entrants due to their physical presence and higher IT costs. Clearly, traditional banks need to make some crucial choices in terms of their digital strategy and positioning for the future, which will have an undeniable impact not only on their business model but also on their customers.

The two types of company have very distinct business models. While traditional banks focus on building long-term relationships with their customers in order to offer them a wide range of products throughout their lives, Neobanks concentrate on the practical and customisable aspect of banking services, allowing their customers to have everything on demand and very quickly. The literature review shows that, in the past, traditional banks have sometimes forgotten to listen to their customers, their needs and their desires. Fintech banks, on the other hand, offer their customers a high degree of customisation enabling them to meet the needs of the majority of their customers and providing greater flexibility.

While it is undeniable that we are moving towards an increasingly digital age, the survey results also showed that certain features of traditional banks are still particularly popular in Switzerland. The most popular features are the physical presence of the branches, the ability to obtain personalised advice in the branch, the diversity of communication channels and the availability of digital tools. In fact, the survey shows that, although neo banks are increasingly present in Switzerland, traditional banks are still the most popular. Only in the youngest generation, Generation Z, did the majority of people already use a

Neobank in Switzerland. Furthermore, the literary review showed that only 39% of people would agree to manage their finances solely through their online bank. These aspects show that traditional Swiss banks still have an advantage over fintechs. It is therefore important for them to take advantage of this in order to maintain their market position.

Indeed, although digitalisation is very present in Swiss banks, the survey also showed that some people did not accept or understand the need to use these new technologies. For example, the security of the platforms, the lack of human contact and the difficulty of use are important concerns for Swiss customers. It is true that not all generations are equal when it comes to understanding and using modern technologies. Some participants even said that they felt forced to use digital tools because branch opening times were inconvenient, because in-branch services were too expensive, because the digital offering was more extensive than the physical offering or because the number of branches was declining too much. This last point is confirmed by the literature, which shows that the number of physical bank branches is constantly decreasing.

The literature review and the results of the survey and interview also agree on a number of points regarding customer acceptance of digital tools. Indeed, banks sometimes forget to consider certain elements that can drastically influence the number of people using their digital tools. Certain elements, such as good communication and support, training opportunities, confidence in the technologies but also in the institution itself and the perceived customer value, are important to consider when a bank wants to pursue a digital strategy. Banks, therefore, need to take greater account of customers' needs, fears and desires in this area so as not to lose out to other banking or non-banking establishments. They need to rethink the way they deliver digital services and support to customers.

In terms of positioning, price also appears to be an important determining factor for customers when choosing a banking establishment. In this area, fintech banks clearly appear to be the big winners as they are using technology to reduce their costs and offer customers services at very attractive prices. Traditional banks, on the other hand, due to their different operating methods, face higher costs which they then pass on directly to their customers, clearly not putting them at an advantage over the new competitors.

When it comes to how customers decide with whom to entrust their money, the most influential factor is the recommendation made by friends, family or even an employer. Advertising, on the other hand, was not chosen by any of the survey participants as a factor influencing their decision. It therefore seems important for traditional banks to

improve their marketing in order to generate more leads or cash inflows through effective campaigns.

Primary and secondary data collection also agree on one very important element. Traditional banks have no choice but to review their global strategy by putting their customers and also technology at the centre of it. If they fail to do so, they risk seeing their profits fall, their market share and valuation diminish and their brand image damaged. As Switzerland is particularly renowned for its stable financial centre, it would be a great shame if institutions that have been established for years were to find themselves in danger because they are not responding correctly to current threats.

#### **4.4 Recommendation**

The aim of this study is to establish a precise recommendation for traditional banks by laying the foundations for a new strategy designed to respond to the arrival of new competitors on the market, the neo banks, but also to changes in customer behaviour in the face of digitalisation. The recommendation will also focus on the positioning of traditional banks in the face of these competitors and, with the help of the marketing mix and its 7Ps, define a positioning in line with the strategy (Hanlon 2023). Indeed, marketing mix is considered to be the most useful tool for companies to build a strong positioning for the target market (Kotler, Armstrong 2018).

##### **4.4.1 Overall strategy**

For traditional banks to be able to respond to the pressure imposed by fintech banks, it is important that they rethink their overall digitalisation strategy. Today, fintech banks are mainly active in day-to-day banking services and not so much in loans, pension advice, savings, and more complex transactions. However, they are likely to move into these areas too in the future. For this reason, it is important that traditional banks transform themselves to meet current and future market developments.

In their strategy, banks should take into account seven key pillars to ensure the success of their transformation (King 2018, Haffar 2023, Mehdiabadi et al. 2020)

**Figure 15: Pillars of the digital strategy**



Source: Adapted from King (2018), Haffar (2023), Mehdiabadi et al. (2020)

#### **4.4.1.1 Hire tech people.**

As the world of banking turns drastically towards technology it is no longer necessary just to have bankers in management or staff but it is also important for banks to surround themselves with people who specialise in technology (King 2018). Indeed, it is no longer a question of simply offering banking services but rather of how to offer them better than digital banks. The interview showed that traditional banks are currently trying to transform their business model. Thus, hiring people who specialise in new technologies will enable banks to know which direction to go in, how to implement them and to see the organisation in a different light. From now on digitalisation should no longer be seen as a department of the bank but should be fully implemented in all sectors so that banks can act in the same way as the neo-banks.

#### **4.4.1.2 Collaboration**

As mentioned in the literature, not all fintech companies are direct competitors to traditional banks and some could even prove to be a great help to banks in their transformation. Fintechs are particularly efficient thanks to their use of modern technologies so traditional banks that cannot or do not wish to develop certain software

or digital solutions in-house can call on some of these companies and work with them to become more efficient (Mehdiabadi et al. 2020 ; Haffar 2023). For example, when it comes to credit scoring, fintech companies such as Algoan use open banking and machine learning to provide scores quickly and more efficiently to financial intermediaries (Algoan 2023). Traditional banks that decide to collaborate with fintechs will need to ensure that their partner has similar values, ethics and culture. Indeed, if a partner fails to match company vision, culture or mission, the partnership may fail and the reputation of both institutions could be damaged.

#### **4.4.1.3 Experiences instead of products**

Today's customers no longer focus solely on the products or services they use but even more on how they are treated and the experience they have when using them. It is no longer enough to provide customers with an account and a card; the experience they have using the bank's services must be of real value (King 2018). This experience includes not only providing customers with what they ask for, but also offers high-performance tools with easy, seamless access, as well as highly personalised services so that customers feel listened to and taken into consideration. If it was just a question of products, customers have a huge choice. On the other hand, the experience they have can help the bank stand out from the competition and make it memorable for the customer. As revealed by the survey and the interview, customers still appreciate the fact that traditional banks have a physical presence and that they can get advice from a real person. As a result, traditional banks can take advantage of their physical presence to create a high-quality experience for customers who visit the branch.

#### **4.4.1.4 Technologies**

At the heart of this digital revolution are, of course, new technologies. It is crucial for traditional banks to make extensive use of modern technologies if they are to remain competitive. The most used technologies are open banking and APIs, artificial intelligence, machine learning, RPA and blockchain (Mehdiabadi et al. 2020 ; Hayes 2023). Combined, they could enable traditional banks to maintain their competitive edge. However, when implementing technologies like this, banks should put great emphasis on ensuring that the security of customer data is ensured as well as putting in place communication to ensure transparency. Indeed, the survey showed that while most customers accept technologies, some concern still exist on security.



#### **4.4.1.4.1 Open banking & APIs**

By using open banking and API technologies, traditional Swiss banks could be well placed in the race for customers and have access to a large amount of information about them such as transactions, loans, and assets. Conversely, in the event of collaboration with a fintech company for certain services, the traditional bank could securely transmit information about its customers. Of course, open banking will require well-established security processes to protect customer data (Mehdiabadi et al. 2020).

#### **4.4.1.4.2 Artificial intelligence, RPA & Machine Learning**

Used together, these three technologies can enable traditional banks to automate and make more effective a large number of tasks that previously had to be carried out by humans and allow employees to concentrate on other tasks (Mehdiabadi et al. 2020). A good example is the implementation of support chatbots using artificial intelligence and machine learning, which are capable of teaching themselves how to respond better to customers.

#### **4.4.1.4.3 Blockchain**

Blockchain technology can enable traditional banks to be more efficient and reduce costs in a large number of areas. For example, payments and money transfers on the blockchain take just a few seconds and cost very little. Thanks to blockchain technology, it would also be possible to do away with intermediary banks and make payments directly from hand to hand. What is more, this technology can also be used to enable reliable and easier digital identification. Blockchain also offers greater security: once on the network, information is stored and cannot be altered (Hayes 2023).

#### **4.4.1.5 Agile business**

In view of the constant changes in technology and the speed with which it is developing, it seems important that traditional banks become much more agile than they are at present. They currently rely on their traditional business model, which was built years ago and has always worked but is now under pressure. An agile business model will allow them to manage change better and to be constantly evolving (King 2018). One glaring example of this lack of flexibility is the fact that traditional banks are struggling to provide new services at speed. While fintechs manage to provide new functionality every 2 to 4 weeks, traditional banks do so in 4 to 6 months (Babbar et al. 2023). Participants of the survey that already use fintech banks indicated that one of the advantages they have using them is that a wider range of services is available online, thus it is important that traditional banks put emphasis on providing more online services at a faster pace.

#### **4.4.1.6 Customer centric**

Companies' marketing strategies should always be built around customers, their needs and desires (Haffar 2023). As revealed by the literature review, traditional banks have sometimes omitted this aspect when defining their strategy, comforting themselves with the idea that they already had a good position. However, with the arrival of new competitors, it is becoming extremely important to put the customer back at the heart of the strategy. Traditional banks manage a huge diversity of customers with very different ages and backgrounds and must therefore satisfy a large number of people. Thus, it appears to be important for traditional banks to constantly monitor customer satisfaction and get feedback to be able to provide their target customers with what they really want in terms of products and services.

#### **4.4.1.7 Omni-channel**

The survey found that customers greatly appreciated the diversity of communication channels offered by traditional banks. By using omni-channel marketing traditional banks can ensure that customers have an even better experience. Omnichannel marketing allows customers to access the bank's services on all available platforms. The aim is to limit the barriers and friction between contact points and enable customers to find what they want anywhere (Mehdiabadi et al. 2020). In an omni-channel strategy, customers should, if possible, be able to carry out all operations on each platform and not have to change to obtain what they want. To achieve this, banks could simplify the process of connecting to online platforms, which often require two devices and do not allow the same operations on a computer or a smartphone (Fontanella 2023).

### **4.4.2 Positioning**

#### **4.4.2.1 Price**

Traditional banks should now be offering lower prices that are in line with those of digital banks for everyday transactions such as payments, currency exchange, account management, investments and loans. As revealed by the survey and by people who already use digital banks, the tariffs of fintech banks are more attractive. The survey also revealed that customers do not want to pay too much for their banking service. However, it appears that most traditional banks still charge fees for private account management, whereas fintech banks offer this service free of charge (Manz 2023). As far as the physical presence of banks is concerned, although customers still appreciate it, the survey also revealed that the majority are not prepared to pay more to keep it. As a result, banks should be offering free online-only services like fintech banks but could maintain

slightly higher prices for customer wishing to use traditional channels such as branches. This would enable them to attract a wider range of customers than digital banks.

#### **4.4.2.2 Product**

In terms of products and services, traditional banks now have to focus on more and more technologies in order to offer equivalents to digital banks. Customers want a high degree of flexibility and personalisation so banking packages should no longer be offered, rather customers should be able to adapt and choose the services they use and pay for according to their needs and be able to remove them without penalty if they no longer need them. Traditional banks should also focus on providing high quality and security levels. Indeed, the survey showed that there are still concerns about the security of these platforms. Furthermore, traditional banks should provide their customers with high level and rapid customer support as customer are less and less ready to wait to obtain what they want.

#### **4.4.2.3 Place**

As far as this point is concerned, traditional banks have an advantage over digital banks. They already have a wide variety of contact points that they should maintain, including branches, personal advisers, hotlines, digital platforms and chatbots. Although the trend is to reduce the number of branches, the survey revealed that the high majority of customers think that branches should be maintained as they have advantages that cannot be found through digitalisation. Thus, even if these branches are costly, traditional banks need to maintain enough of them to ensure that the customer experience in the branch remains satisfactory and should take steps to avoid waiting times. Additionally, support should also be available to customers 24 hours a day, 7 days a week, so that they feel supported at all times.

#### **4.4.2.4 Promotion**

As far as promotion is concerned, the survey showed that none of the customers questioned had chosen their bank as a result of advertising but rather by word of mouth and recommendations. In fact, although traditional banks do run marketing campaigns in Switzerland, they don't have much effect. As a result, traditional banks should define their target audience precisely and focus their advertising on the younger generation. The younger generations are very present on social networks and this type of marketing is proving to be very effective in attracting them. As for the older generations more traditional means of communication, such as e-mail, television or post, are used. Using different means of promotion for different generations will enable the traditional bank to

get the right message across to the right target. For example, an advert for Apple Pay will probably be of less interest to someone from the Baby Boomer generation than someone from Generation Z.

#### **4.4.2.5 Process**

When it comes to internal processes and how services are delivered to customers, banks should develop an omni-channel communication strategy to create a seamless experience for customers and offer clients with a wide variety of touchpoints. In addition, in order to deliver new functionality more quickly, they need to become more agile in the way they operate. Finally, traditional banks need to make intensive use of modern technology to deliver better and faster services to their customers.

#### **4.4.2.6 People**

As mentioned above, traditional banks now need to surround themselves with managers and employees specialising in technology, not just bankers. They must also commit to creating an internal culture that encourages learning for current employees and allows everyone to understand the benefits of new technologies.

#### **4.4.2.7 Physical evidence**

As far as physical evidence is concerned, it is important for traditional banks to highlight their experience of the industry in comparison with digital banks. The survey revealed that customers mostly choose their bank on the basis of recommendation and reputation, which can be at the advantage of traditional banks. After all, they already have well-established brands with solid reputations. Through testimonials published on the company's website or on social networks, the bank must prove to potential customers that it provides high-quality services. In addition, thanks to the branches, the bank can stand out thanks to the employees present on site who must represent the brand and its qualities so that the customer feels that he or she will be satisfied. Inside the premises, the bank must ensure that customers feel listened to, respected and above all in the presence of people they can trust.

## **5. Conclusion**

### **5.1 Study outcomes**

In this research paper the current positioning of traditional Swiss banks was studied in order to understand how they should adapt themselves in the face of the arrival of new competitors and changes in customer behaviour.

The research has shown that the marketing positioning of traditional banks is currently not adapted to enable these establishments to remain competitive. In fact, the results show that digital banks can be more efficient and more attractive in terms of prices and product range than traditional banks, mostly in day-to-day banking services. However, they are less active in areas such as financing and financial planning, creating an opportunity for traditional banks to expand digitally into these areas. In addition, the survey showed that advertising currently carried out by banks does not have a significant impact on customers' bank choice. These elements tend to confirm hypothesis number one of the works, which implies that a repositioning is necessary.

Technologies are at the heart of this revolution and constitute the main source of advantage for digital banks, which use them to make their financial services more efficient, flexible, and customisable at lower cost. Research findings show that without using these technologies and adapting their approach to digitalisation, traditional banks will struggle to remain competitive in the industry and maintain their revenues and market share. These arguments support the second hypothesis.

The research showed that traditional banks still have significant advantages over their competitors, confirming hypothesis three. These advantages include their physical presence, personalised advice, the management of complex financial transactions, their extensive knowledge and also the financial security for their customers whose funds are protected by the depositors' guarantee. These advantages should be exploited by traditional banks to maintain their market position.

Literature and surveys have shown that digitisation is not yet accepted by everyone implying rejection of the fourth hypothesis. In fact, certain aspects are being questioned by customers, such as security, the lack of human contact, the lack of training and communication and the fact that some customers feel forced to use digital tools. As a result, traditional banks must also make an educational effort to help them make the transition.

In the light of these findings, it is recommended that traditional banks adapt not only their market positioning but also their general digital strategy. As far as their general strategy is concerned, traditional banks should focus essentially on 7 pillars: hiring employees from technology fields, collaborating with fintech companies, being more agile, putting the customer at the centre, having an omnichannel marketing strategy, focusing on the customer experience and finally making more intensive use of technology. In order to review their positioning, traditional banks should use marketing mix and its 7Ps. To achieve the new positioning, they should adapt their prices to those of digital banks

(Price), make their offerings more flexible and customisable (Product), maintain physical points of contact (Place), implement better targeted advertising campaigns (Promotion), implement an omni-channel strategy, be more agile and train employees in technologies (Process), employ people with technology-focused backgrounds (People) and, finally, leveraging their experience and knowledge of the industry to attract customers (Physical evidence).

## **5.2 Limitations and suggestions for future research**

This research paper has a number of limitations. The survey was completed by only 75 of the 106 participants, which means that some questions were answered by fewer people than others. To obtain as many answers as possible for each question it was decided to keep all the answers, even if they were incomplete.

In addition, the number of participants is not equitable by generation. In fact, 41% of participants belong to generation Z, followed by the millennials with 31% of participants, the boomers with 15%, generation X with 9% and finally the Silent generation with 1%. As a result, the distribution of participants is not equal, distorting the results of the survey.

With regards to the interview, results only depend on the insights given by one interviewee thus might not be robust.

Finally, as fintech banks are relatively new to Switzerland, there are not yet many studies on their impact on the Swiss banking industry.

This study focuses on how modern technologies are forcing traditional banks to reinvent themselves. However, it does not consider the human aspect of using technology intensively. Indeed, further studies could be conducted on the impact on jobs but also on human contact.

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## Appendix 1: Protection of Neobank's customer in Switzerland

	Protection of Neobanks' customers in Switzerland			
Neobank	Country based in	Bank licence	Subsidiary / Partnership	Deposit protection in Switzerland
CSX	Switzerland	Yes	Credit Suisse	Yes
ZaK	Switzerland	Yes	Banque Clerc	Yes
Neon	Switzerland	No, partnership to protect deposit	Hypothekarbank	Yes
Yapeal	Switzerland	No, Fintech licence	/	No
Yuh	Switzerland	Yes	Swissquote and PostFinance	Yes
Flowbank	Switzerland	Yes	/	Yes
N26	Germany	Yes	/	In Germany
Revolut	United Kingdom	Yes	/	In Lithuania
Wise	United Kingdom	No, Electronic Money Licence	/	In United Kingdom or Germany

## Appendix 2: Survey questions

Q2 On what basis did you choose your current bank? (Multiple choices)

- Favorable price
- Reputation
- Quality of the services provided
- Quality of digital platforms
- After seeing an ad
- Recommendation from friends, relatives, employers or other

Q3 Are you satisfied with the products and services provided by your bank? (Single choice)

- Yes
- No

Q4 What is your opinion on the following statements:

	Not agree at all	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Totally agree
I think my bank charges too high fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I find it easy to contact my bank for information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
When I need to obtain information or a service, the waiting time is satisfactory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I think my bank is transparent in charging fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I think my bank offers enough communication channels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5 What is your favorite way of communicating with your bank? (Single choice)

- Phone
- In Branch
- Digital platforms
- Mail
- E-mail
- 

Q6 How much are you willing to pay per month for the banking products and services you use? (Single choice)

- 0 to 5 francs
- 5 to 10 francs
- 10 to 15 francs
- 15 to 20 francs
- 20 to 30 francs
- Maximum 70 francs

Q7 Are you using your bank's digital platforms (web and app)? (Single choice)

- Yes
- No

Q8 Without using digital tools, how do you manage your banking relationship and get the services you need? (Multiple choices)

- In branch
- On the phone
- By mail
- By email

→ Display this question if Q7 = no

Q9 What is the reason for not wanting to use digital platforms? (Multiple choices)

- Complicated to use
- Security
- I prefer to talk to a person in the branch
- I prefer to talk to someone on the phone
- I am against the use of technology to replace humans

→ Display this question if Q7 = no

Q10 Do you use the digital payment methods offered by your bank? (Single choice)

- Yes
- No, I only use cash

Q11 Why do you only use cash? (Multiple choices)

- It allows more freedom
- Less intrusive in my private life
- Having the money physically allows me to better manage my expenses
- By habit
- I am not comfortable with digital payment methods
- I appreciate the fact that there is a physical exchange between two things

→ Display this question if Q10 = No

Q12 Which ones do you use? (Multiple choices)

- ☐ Credit or debit card
- ☐ Twint
- ☐ Samsung or Apple Pay
- ☐ Bank Transfer / QR Invoice

→ Display this question if Q10 = Yes

Q13 Do you think you are sufficiently informed and supported in your transition to digital banking services and products? (Single choice)

- Yes
- No

Q14 What makes you think that you are not sufficiently informed and supported in this transition to digital? (Multiple choices)

- Not enough training
- I feel overwhelmed
- I don't understand why this is necessary
- I find using platforms difficult

→ Display this question if Q13 = No

Q15 What digital services do you use? (Multiple choices)

- Online payments
- Consultation of account balances
- Expense tracking
- Consultation of debit and credit cards
- Real estate financing
- Investments
- Pension planning

→ Display this question if Q7 = Yes

Q16 What services do you use the most? Rank them from most used to least used (1 being the most used and 7 the least used)

- \_\_\_\_\_ Online payments
- \_\_\_\_\_ Consultation of account balances
- \_\_\_\_\_ Expense tracking
- \_\_\_\_\_ Consultation of debit and credit cards
- \_\_\_\_\_ Real estate financing
- \_\_\_\_\_ Investments
- \_\_\_\_\_ Pension planning

→ Display this question if Q7 = Yes

Q17 What factors could help you make more use of your bank's digital platforms? (Multiple choices)

- Greater in-branch support
- More explanations on platform security
- Greater support available online or over the phone
- Nothing, I prefer to address a physical person

→ Display this question if Q13 = No

Q18 What do you think are the advantages of digital platforms? (Multiple choices)

- Security
- Ease of use
- Accessibility at all times
- Visualization of expenses
- Speed of payment execution
- Possibility to invest at any time
- Possibility of obtaining a mortgage without having to go anywhere
- Mobile alert on account transactions
- Card management (spending limits, country, blocking)
- None



Q19 How important are these benefits to you?

	Not important at all	Not important	Moderately important	Very important	Extremely important
Security	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of use	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accessibility at all times	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Visualization of expenses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Card management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Speed of payment execution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility to invest at any time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility of obtaining a mortgage without having to go anywhere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mobile alert on account transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

→ Display this question if Q7 = Yes

Q20 What is your opinion on the digitization of the banking services and products of traditional Swiss banks?

	Not agree at all	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Totally agree
Traditional banks provide high quality digital services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digital platforms are easy to use	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Traditional banks offer a wide choice of digital services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I find that the balance between physical and digital services is ideal	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel pressured to use digital services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q21 Why do you feel pressured to use digital services? (Multiple choices)

- The price of services provided in branches is increasing
- The number of branches is decreasing
- The number of counters is decreasing
- The offer of digital services is greater than that in the branch
- The opening hours of the agencies do not suit me

→ Display this question if in Q20: "I feel pressured to use digital services" = "Somewhat agree" or "totally agree"

Q22 Why do you disagree with the fact that the digital services currently provided by traditional Swiss banks are of good quality? (Multiple choices)

- Too slow
- Not secure enough
- Range of services not extensive enough
- Too complicated to use

→ Display this question if in Q20: "Traditional banks provide high quality digital services" = "Somewhat disagree" or "Not agree at all"

Q23 Considering all the services provided by traditional Swiss banks, what percentage would you like to give to digital services compared to branch services? (when added it should equal 100%)

\_\_\_\_\_ Digital Services  
\_\_\_\_\_ Branch services

→ Display this question if in Q20: "I find that the balance between physical and digital services is ideal" = "Somewhat disagree" or "Not agree at all"

Q24 What characteristics of traditional Swiss banks do you think are essential and should be retained?

	Not important at all	Not important	Moderately important	Very important	Extremely important
Physical presence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personalized in-branch advice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Counters (cash transactions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of digital tools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Diversity of communication channels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q25 Do you think it is important that traditional banks maintain a physical presence through their branches? (Single choice)

- Yes
- Indifferent
- No

Q26 Do you think there are enough branches currently? (Single choice)

- Yes
- Indifferent
- No

Q27 How often do you visit a branch of your bank? (Single choice)

- More than once a week
- Once a week
- More than once a month
- Once a month
- Several times a year
- Once in a year
- Never

Q28 For which service(s) do you go to a branch? (Multiple choices)

- Pay my bills
- Withdraw money at the counter
- Withdraw cash at the ATM
- Advice on my accounts
- Advice for financing
- Pension advice
- Investment advice
- Obtain documents on my accounts
- Get information

→ Display this question if Q27 = "More than once a week" or "Once a week" or "More than once a month" or "Once a month" or "Several times a year" or "Once in a year"

Q29 Why do you go to a branch instead of using only digital tools? (Multiple choices)

- I like to talk face to face with employees
- The advice is of good quality
- It's the easiest way for me to get what I want
- By habit

→ Display this question if Q27 = "More than once a week" or "Once a week" or "More than once a month" or "Once a month" or "Several times a year" or "Once in a year"

Q30 Would you be willing to pay more fees to maintain branch services? (Single choice)

- Yes
- No

Q31 Bearing in mind that the digitalisation of banks is constantly increasing, could you imagine a future with only 100% digital banks? (Single choice)

- Yes
- No

Q32 Could you imagine a world without cash? (Single choice)

- Yes
- No

Q33 What is your favorite payment method? (Single choice)

- Cash
- Credit card
- Debit card
- Twint
- Bank transfer
- Apple/Samsung Pay

Q34 Are you aware that there are already 100% digital banks? They are called Revolut, Neon, Zak, FlowBank, N26, Wise, or Yapeal. (Single choice)

- Yes
- No

Q35 Have you ever used any of these banks? (Single choice)

- Yes
- No

Q36 What do you think are the main advantages of 100% digital banks? (Multiple choices)

- Best price
- Best Digital Platforms
- Best Account Ranges
- More services available online
- Quick customer service response
- No need to go anywhere

→ Display this question if Q35 = "yes"

Q37 What is your gender? (Single choice)

- Male
- Women
- Non-binary/transgender
- Do not wish to answer

Q38 What age group do you belong to? (Single choice)

- 12 to 26 years old
- 27 to 42 years old
- 43 to 58 years old
- 59 to 77 years old
- 78 to 95 years old

Q39 What is your professional status (Single choice)

- Employed
- Employed and student
- Student
- Retired
- Unemployed

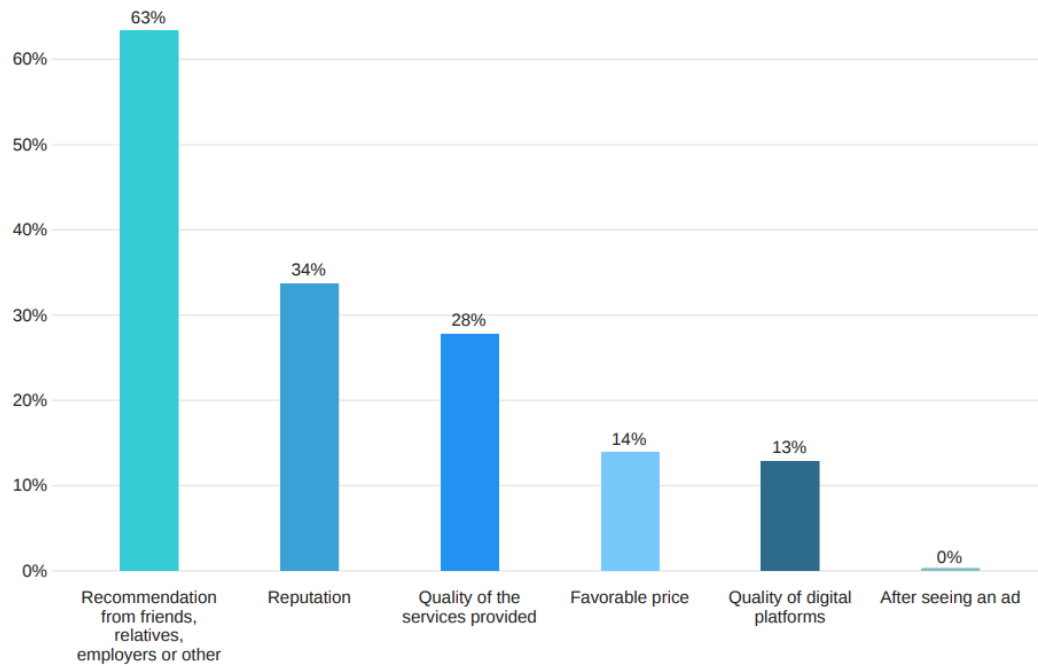
Q40 Are you a Swiss resident and do you use a Swiss bank? (Single choice)

- Yes
- No

## Appendix 3: Survey results

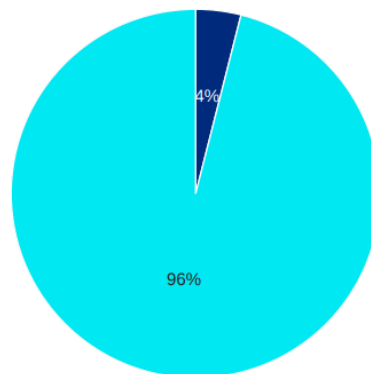
Q2 - On what basis did you choose your current bank?

101 Responses



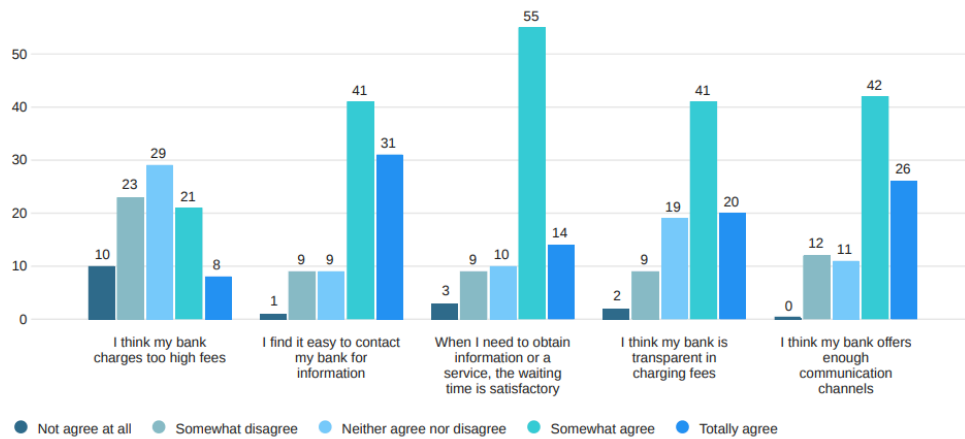
Q3 - Are you satisfied with the products and services provided by your bank?

101 Responses



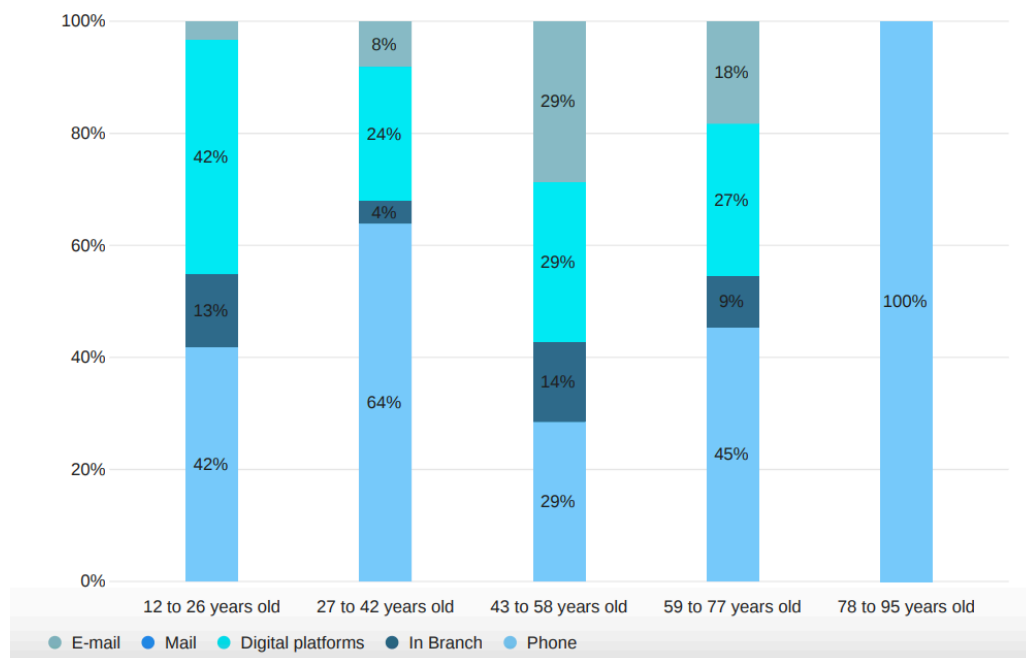
#### Q4 - What is your opinion on the following statements:

91 Responses



#### Q5 - What is your favorite way of communicating with your bank?

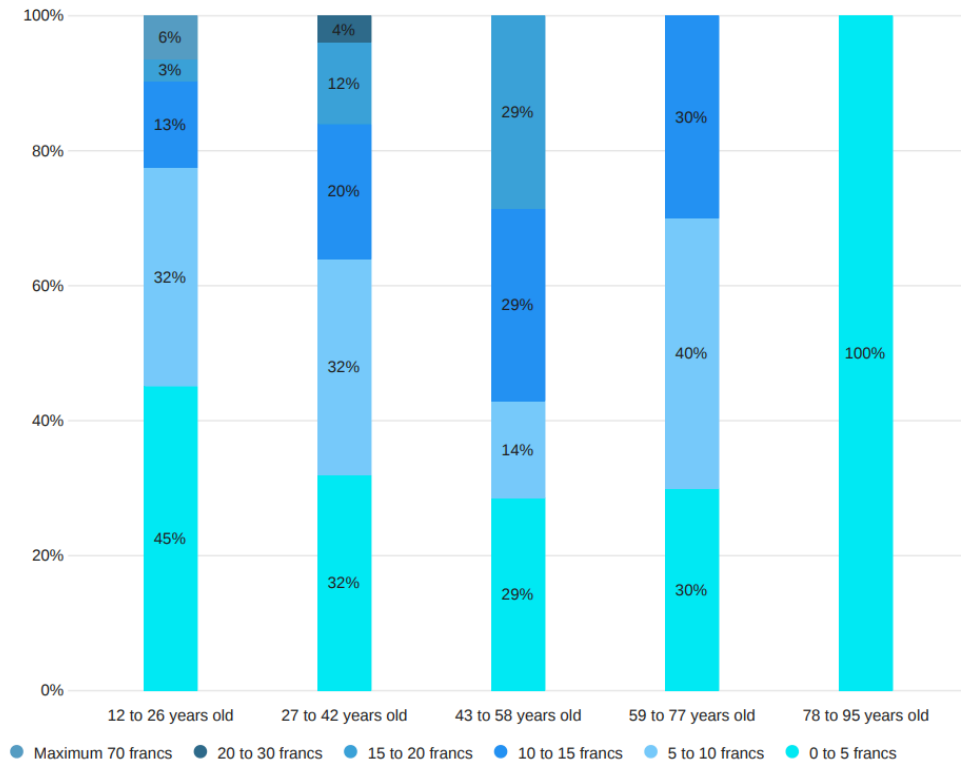
75 Responses





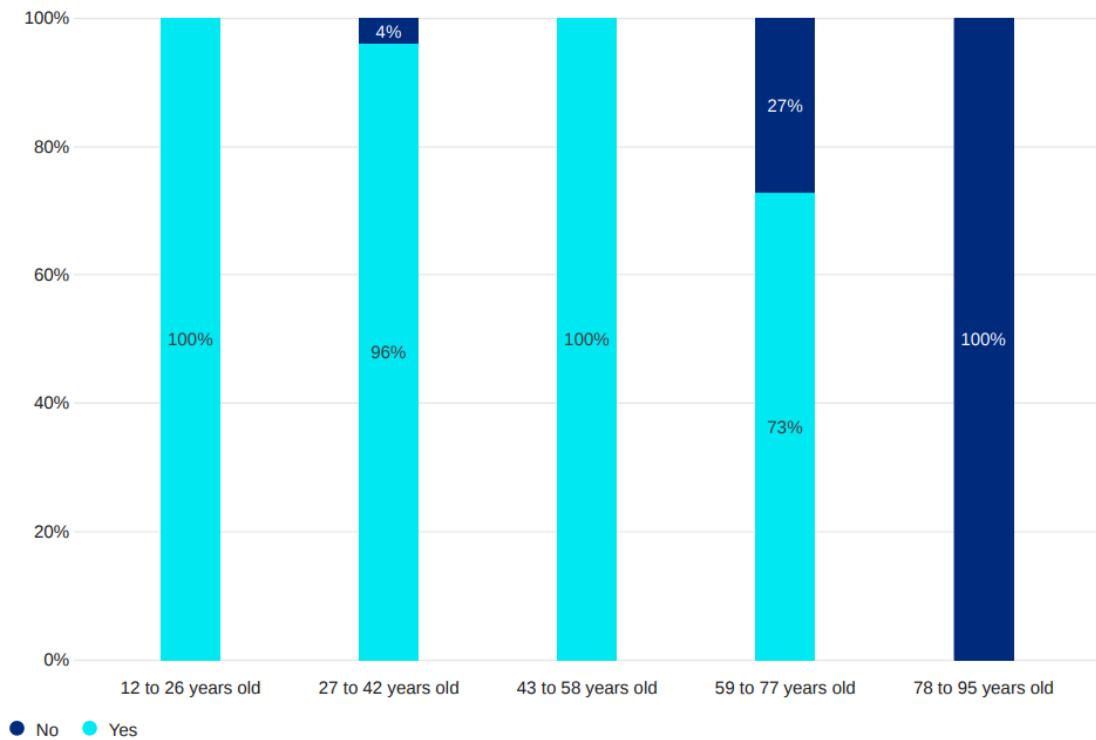
## Q6 - How much are you willing to pay per month for the banking products and services you use?

74 Responses



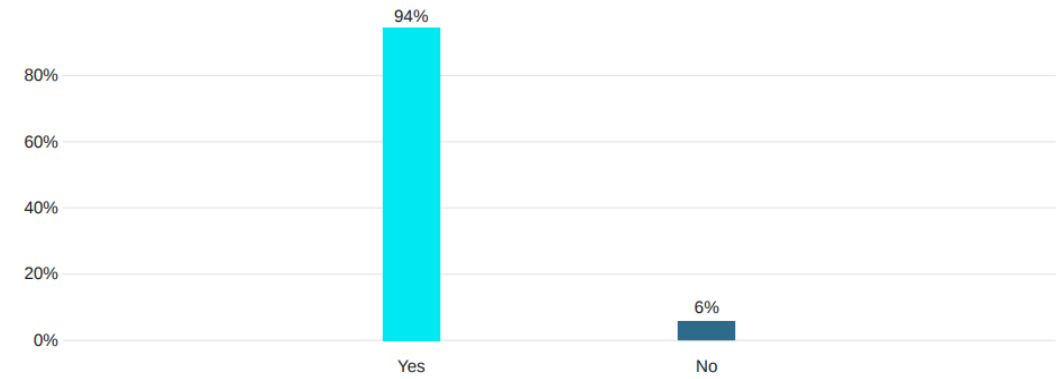
## Q7 - Are you using your bank's digital platforms (web and app)?

75 Responses



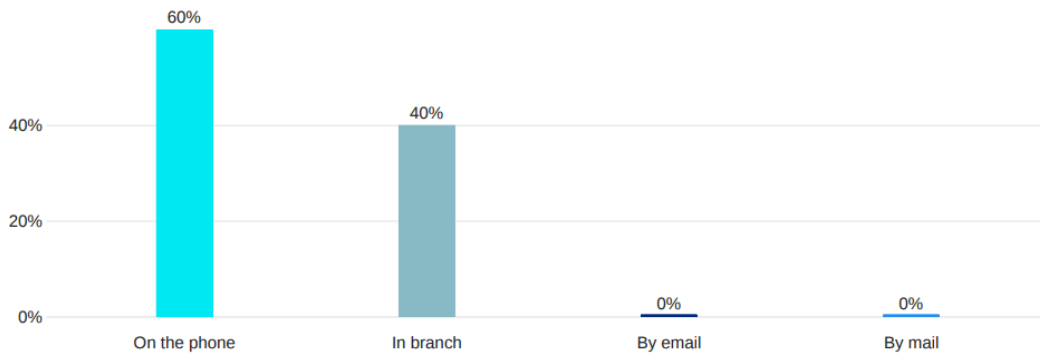
Q7 - Are you using your bank's digital platforms (web and app)?

87 Responses



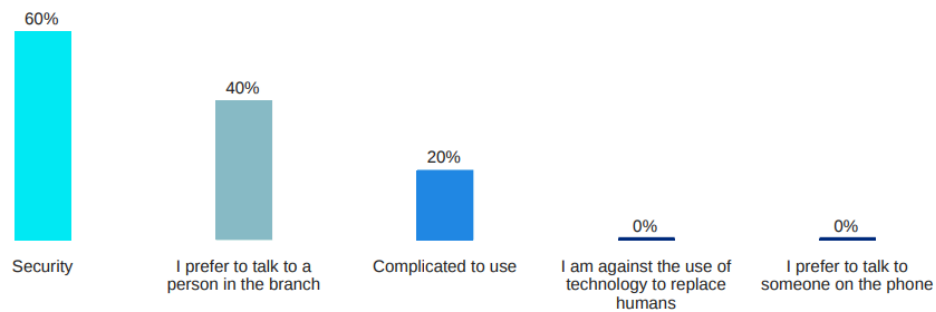
### Q8 - Without using digital tools, how do you manage your banking relationship and get the services you need?

5 Responses



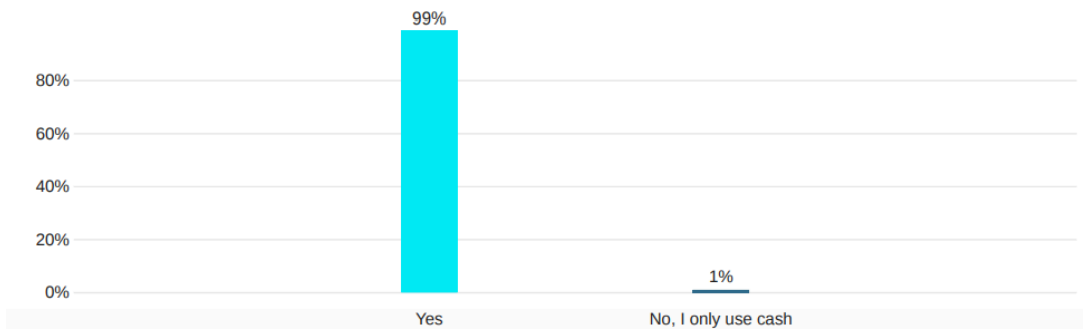
### Q9 - What is the reason for not wanting to use digital platforms?

5 Responses



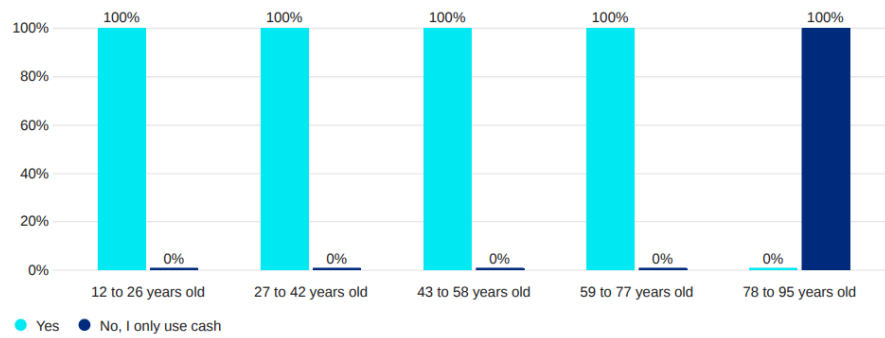
### Q10 - Do you use the digital payment methods offered by your bank?

87 Responses



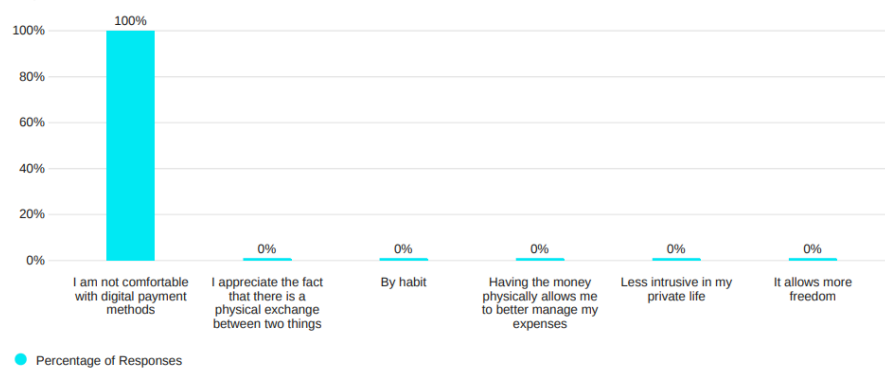
### Q10 - Do you use the digital payment methods offered by your bank?

75 Responses



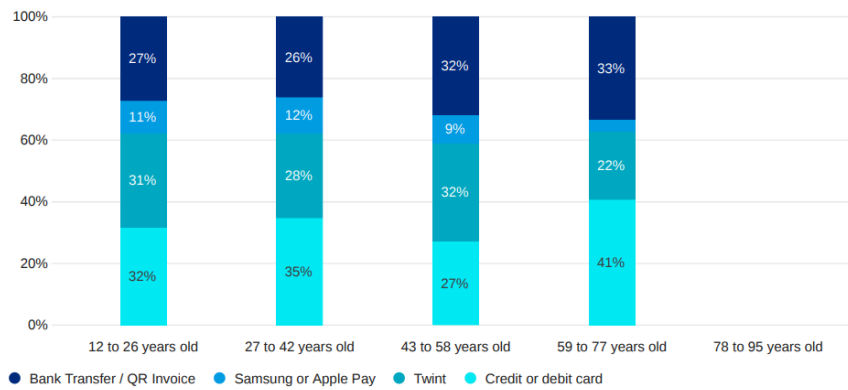
### Q11 - Why do you only use cash?

1 Responses



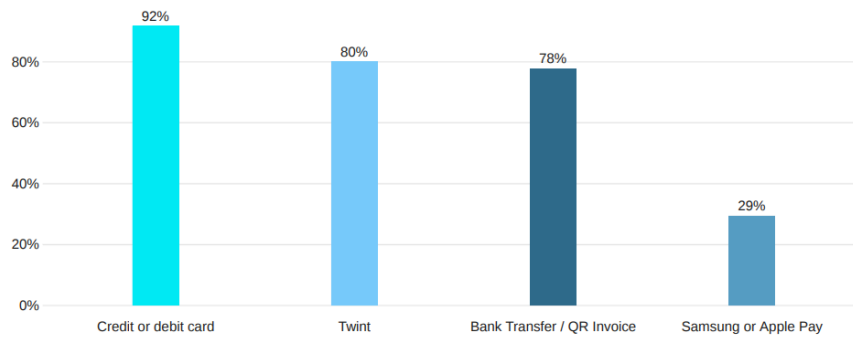
## Q12 - Which digital payment methods do you use ?

74 Responses



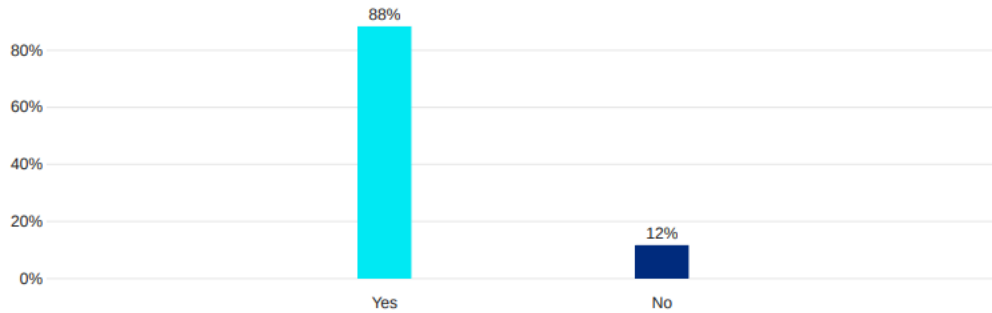
## Q12 - Which digital payment methods do you use?

85 Responses



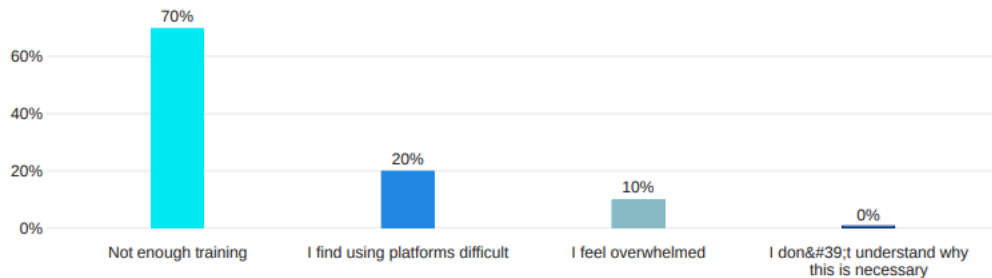
### Q13 - Do you think you are sufficiently informed and supported in your transition to digital banking services and products?

86 Responses



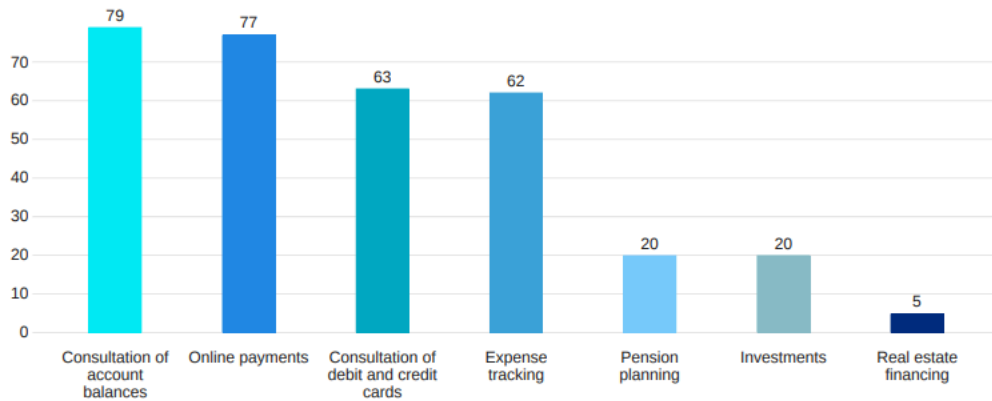
### Q14 - What makes you think that you are not sufficiently informed and supported in this transition to digital?

10 Responses



### Q15 - What digital services do you use?

81 Responses



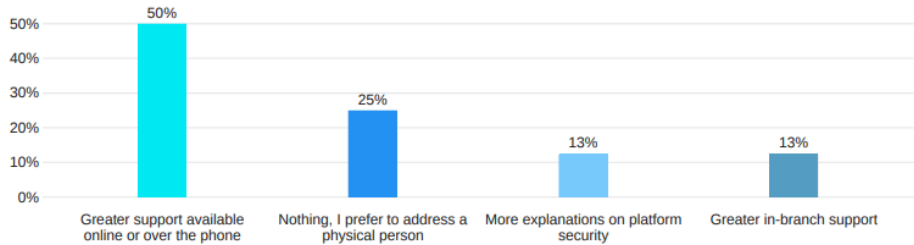
### Q16 - Which service do you use the most? Rank them from most used to least used

73 Responses

Field	1	2	3	4	5	6	7
Online payments	32	6	7	5	4	9	10
Consultation of account balances	13	30	1	2	5	14	8
Expense tracking	2	6	24	19	12	5	5
Consultation of debit and credit cards	1	3	18	38	7	1	5
Real estate financing	11	9	7	0	12	7	27
Investments	3	11	8	6	12	29	4
Pension planning	11	8	8	3	21	8	14

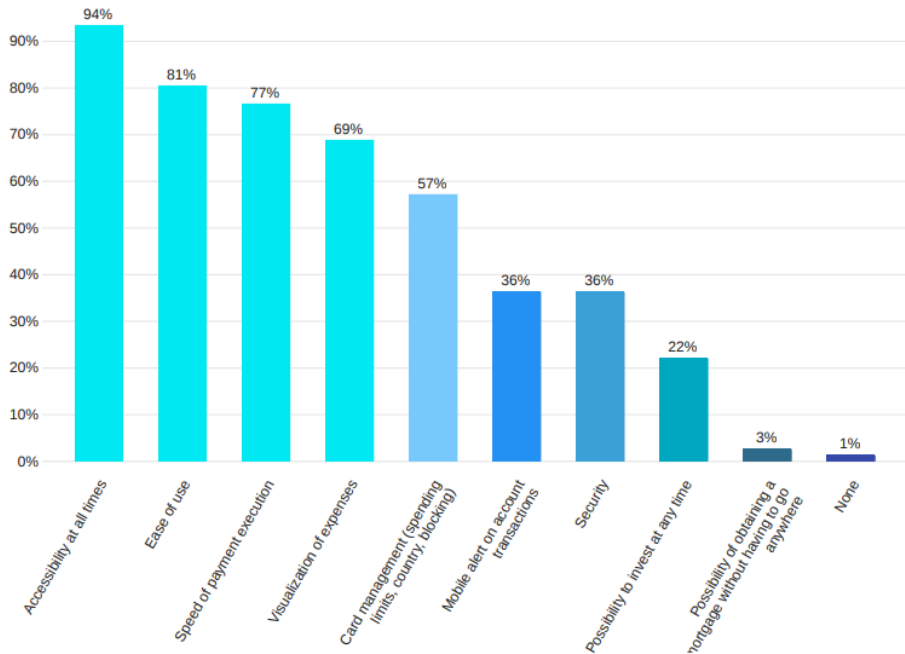
Q17 - What factors could help you make more use of your bank's digital platforms?

8 Responses



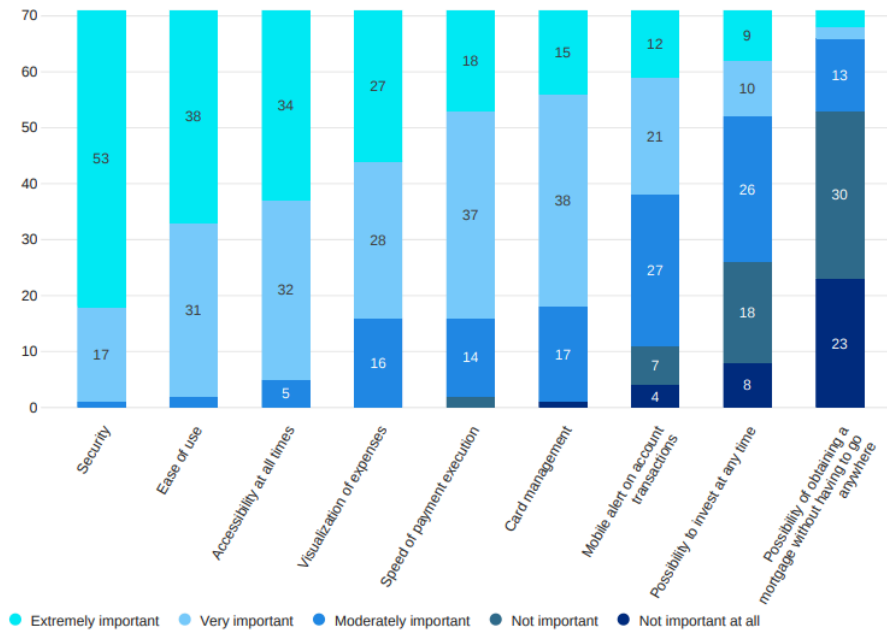
Q18 - What do you think are the advantages of digital platforms?

77 Responses



## Q19 - How important are these benefits to you?

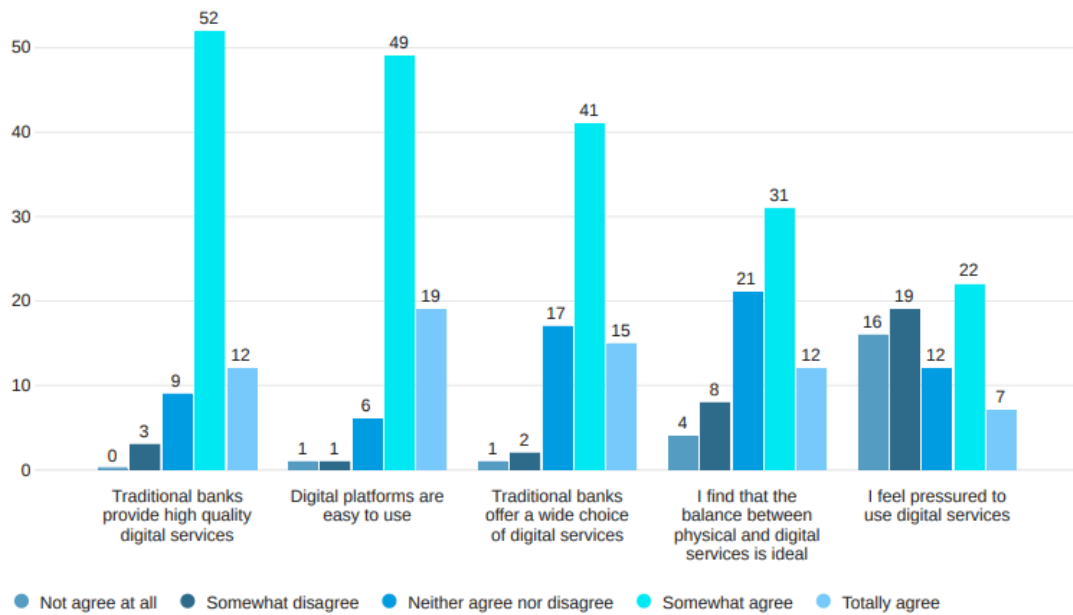
71 Responses





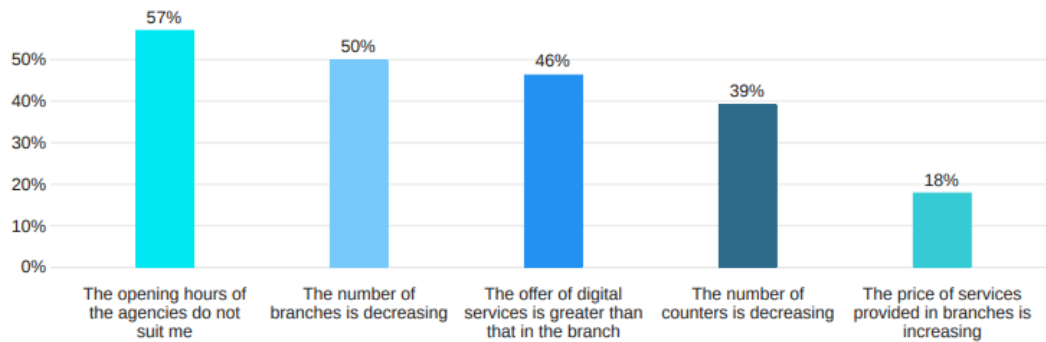
## Q20 - What is your opinion on the digitisation of the banking services and products

76 Responses



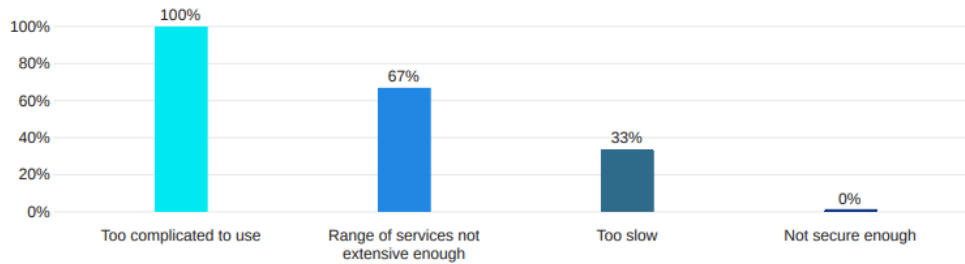
## Q21 - Why do you feel pressured to use digital services?

28 Responses



Q22 - Why do you disagree with the fact that the digital services currently provided by traditional Swiss banks are of good quality?

3 Responses

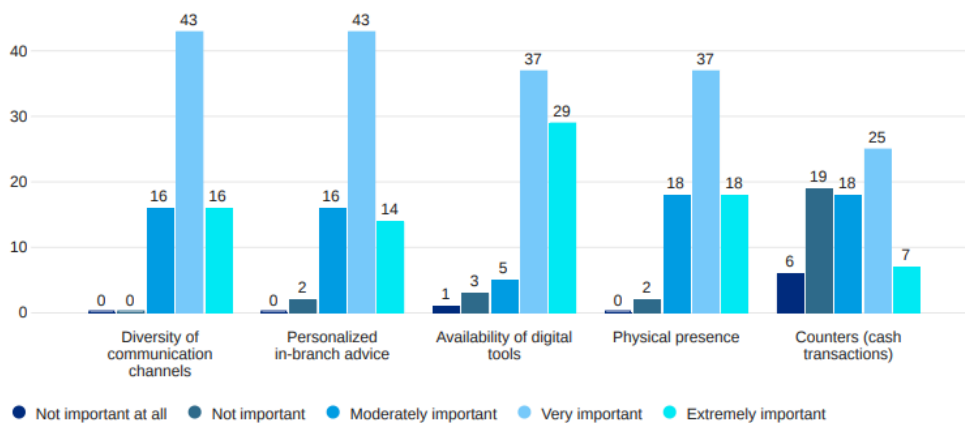


Q23 - Considering all the services provided by traditional Swiss banks, what percentage would you like to give to digital services compared to branch services?

Field	Min	Max	Mean	Standard Deviation	Variance	Responses	Sum
Digital Services	15.00	90.00	55.42	23.51	552.74	12	665.00
Branch services	10.00	85.00	44.58	23.51	552.74	12	535.00

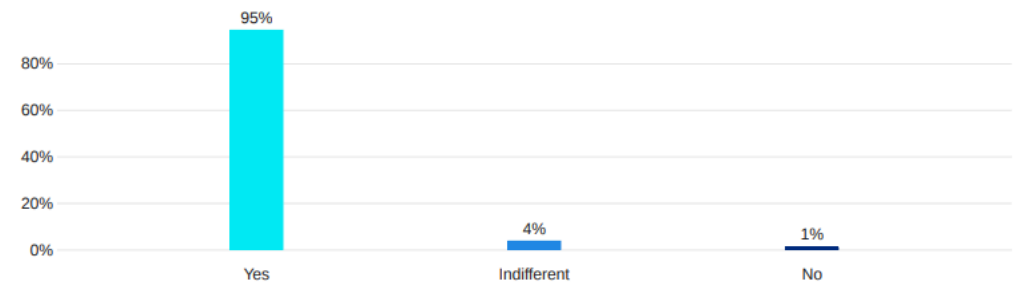
Q24 - What characteristics of traditional Swiss banks do you think are essential and should be retained?

75 Responses



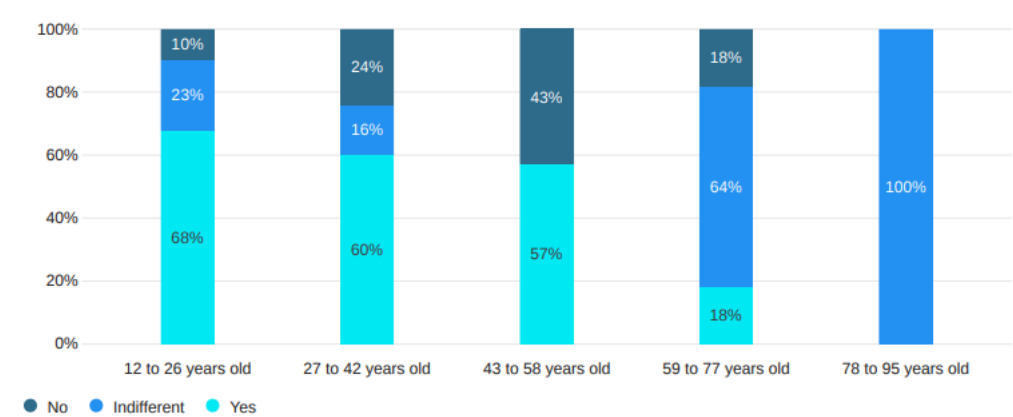
**Q25 - Do you think it is important that traditional banks maintain a physical presence through their branches?**

75 Responses



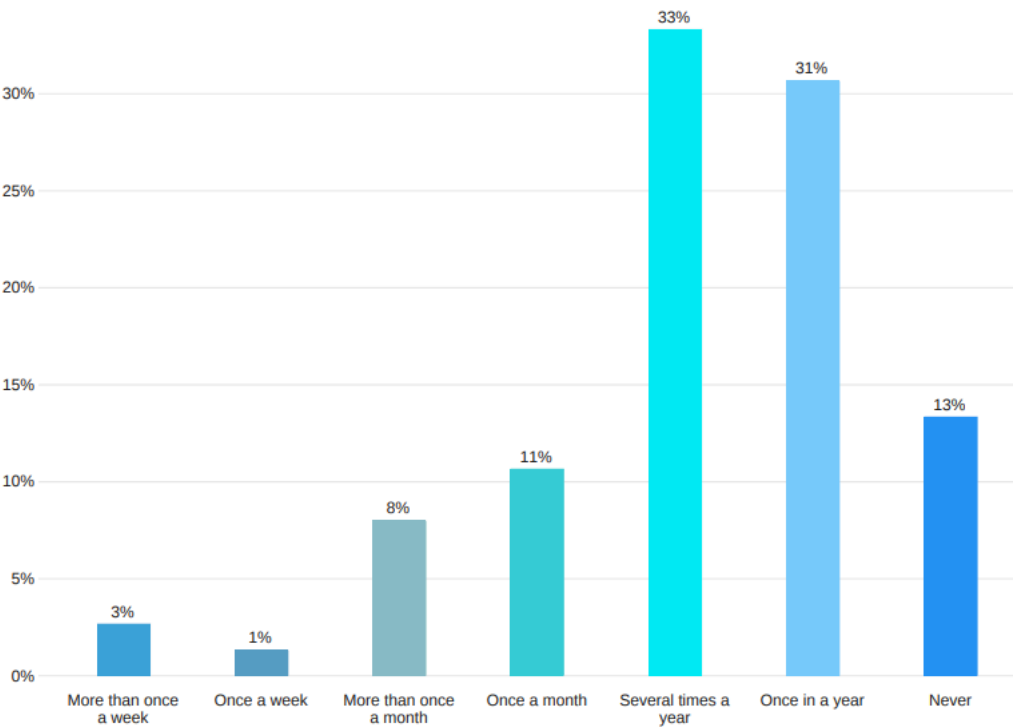
**Q26 - Do you think there are enough branches currently?**

75 Responses



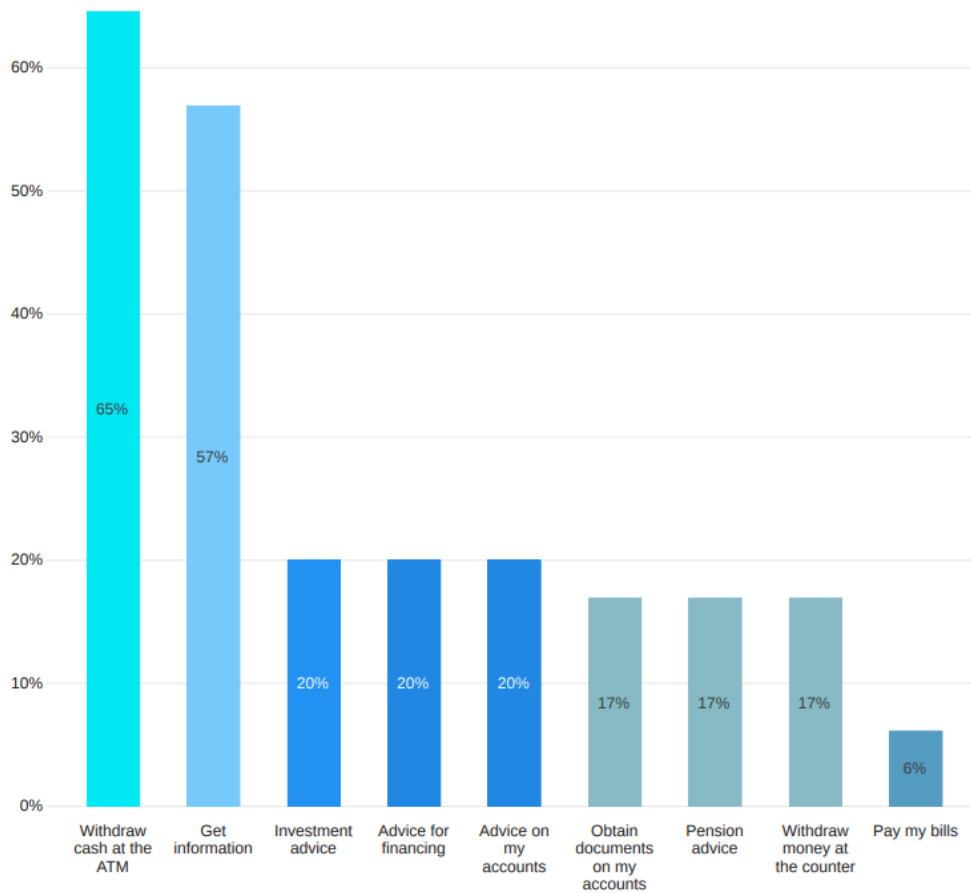
**Q27 - How often do you visit a branch of your bank?**

75 Responses



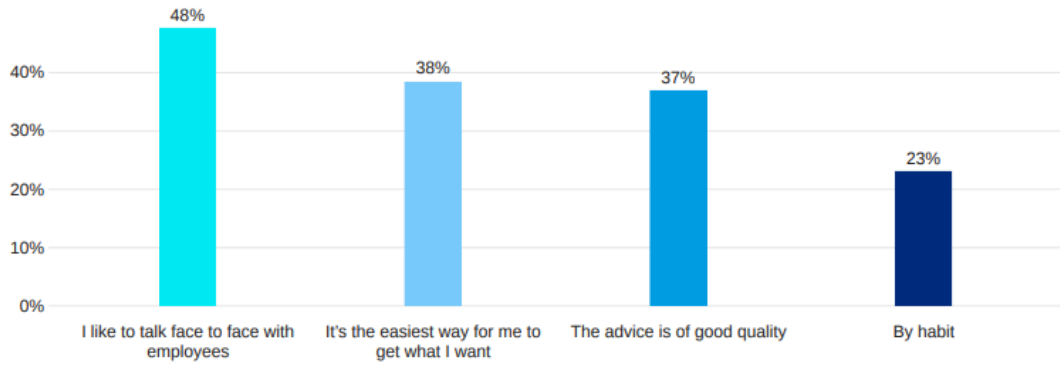
## Q28 - For which service(s) do you go to an a branch?

65 Responses



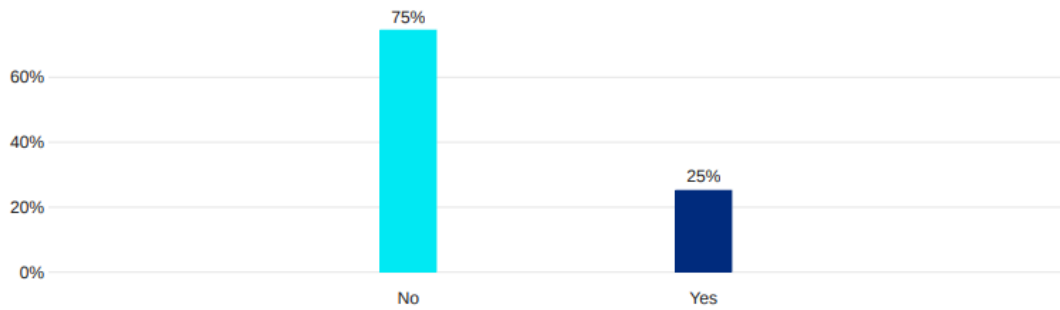
### Q29 - Why do you go to a branch instead of using only digital tools?

65 Responses



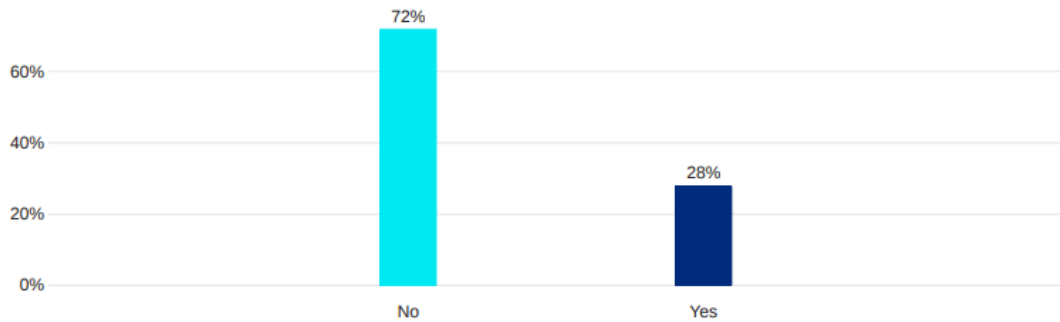
### Q30 - Would you be willing to pay more fees to maintain branch services?

75 Responses



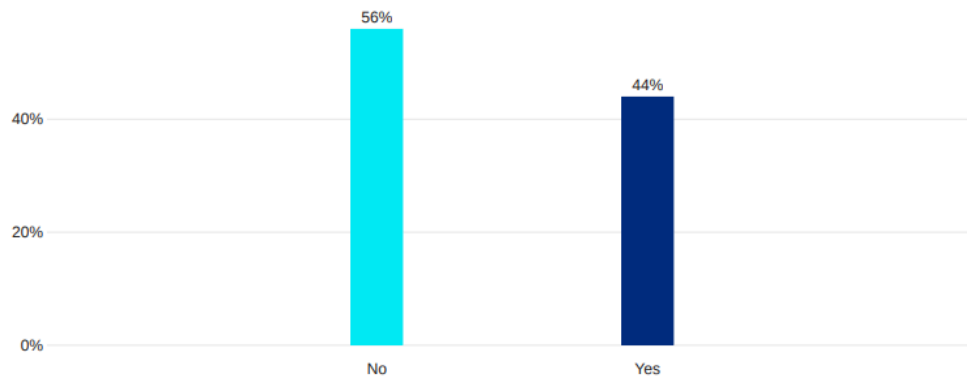
### Q31 - Bearing in mind that the digitalization of banks is constantly increasing, could you imagine a future with only 100% digital banks?

75 Responses



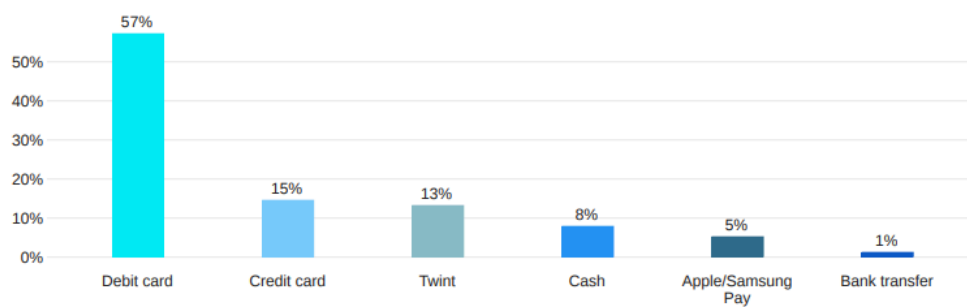
### Q32 - Could you imagine a world without cash?

75 Responses



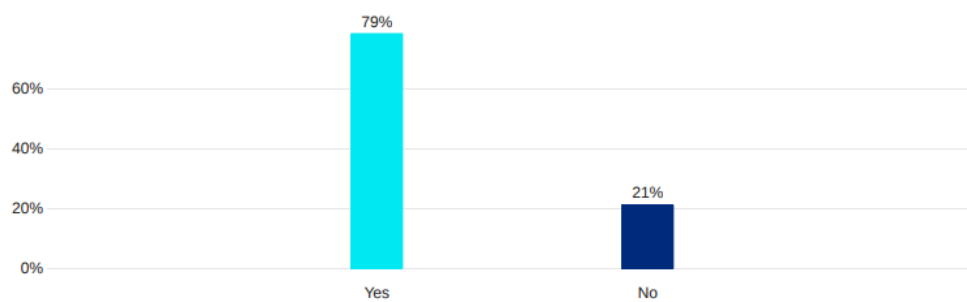
### Q33 - What is your favorite payment method?

75 Responses



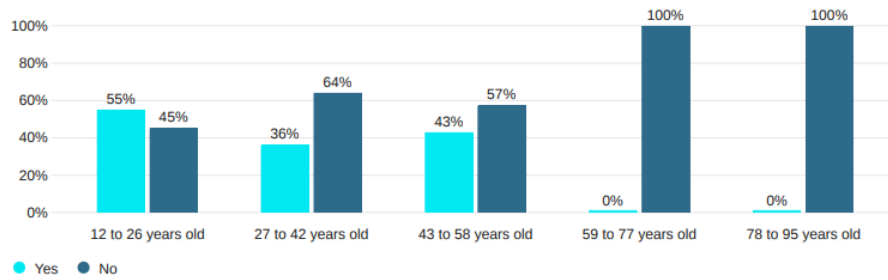
### Q34 - Are you aware that there are already 100% digital banks? They are called Revolut, Neon, Zak, FlowBank, N26, Wise, or Yapeal.

75 Responses



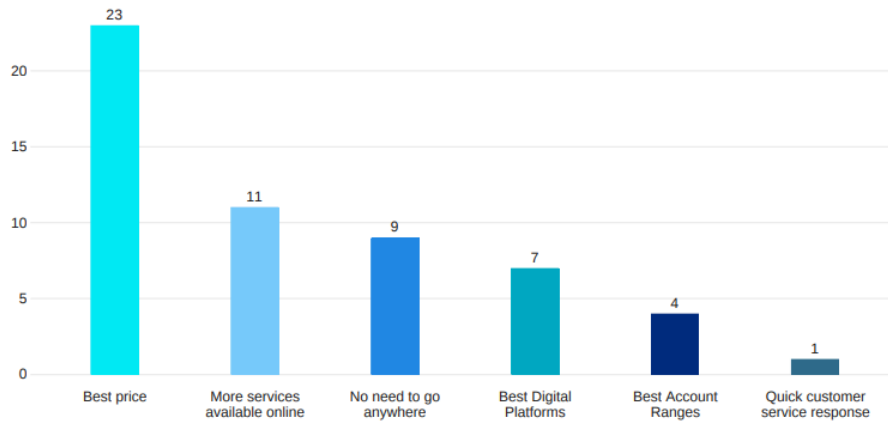
### Q35 - Have you ever used any of these banks?

75 Responses



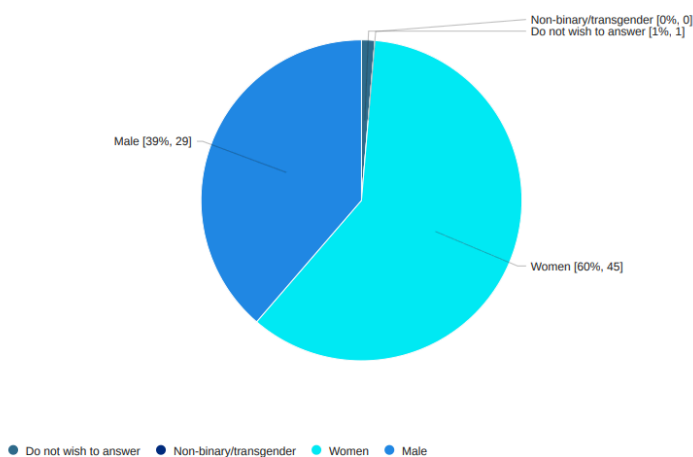
### Q36 - What do you think are the main advantages of 100% digital banks?

29 Responses



### Q37 - What is your gender?

75 Responses



## Appendix 4: Interview – Branch Manager

1. Q: As branch manager, have you noticed any change in the behaviour of customers visiting your premises and what do you think they are due to?
  - BM: Firstly, since the pandemic we have seen a drop in customer visits, which can be explained by more intensive use of digital platforms and even ATMs. More and more services, such as payments, account transfers, account consultation and stock market purchases, can be made from a telephone or computer, so customers no longer have to go to a branch to do so. It is true that for several years there has been a decline in traditional in-branch operations such as over-the-counter transactions, but more demand for digital platforms and, as a result, the number of counters is falling. In addition, branches are now focusing more on advice. In terms of the type of customer who comes to the branch, you might think that it is mainly older people, but this is not necessarily the case and customers are of all ages. In fact, many more older people use the internet and online banking than you might think.
2. Q: What services do customers still go to branches for?
  - BM: Customers mainly come to the branch for advice, such as pension planning, or to enquire about banking applications, and much less for traditional transactions such as withdrawals or payments.
3. Q: Do you think that branches are doomed to disappear? What is their future?
  - BM: I think that branches are certainly destined to change due to the increasing digitalisation and the fact that more and more transactions can be carried out from home, and I think that everyone benefits from this. However, I think that agencies will always be an important point of contact between customers and specialists, but also for maintaining a human relationship with customers. For our part, we're trying to ensure that our branches are more like meeting points between customers and advisers. It's likely that they won't disappear, but that they will have to transform their function.
4. Q: In my survey most people indicated that they use their bank's digital platforms, however those who do not use them revealed that the main reasons were security, complicated use and a preference for face-to-face services. They also indicated that more training would be useful. How do you think banks can support customers in their transition? Is there anything in place at the moment?



- BM: As far as safety is concerned, we need to be clear that we really do have very high-performance systems. In fact, we have very few, if any, complaints about our online banking systems. Where there can be problems is with cards, whose numbers can be stolen or entered on fraudulent sites. We know that the security of these applications can be frightening, but the systems and controls are very advanced and sophisticated.
  - BM: As far as training is concerned, there are two things. Firstly, there are things that have been in place for a long time, namely collecting feedback from customers in order to improve applications and make them more functional. Secondly, we try to simplify the applications as much as possible so that they are as logical as possible. As far as customer training is concerned, we are present in the branch to answer their questions and explain how the application works. Customers can bring their devices with them so that we can explain the functions they want to use. There is a major educational effort to be made, and to this end customers have a range of support available, on the telephone, in the branch and also on the application itself in the questions and answers. In fact, some things may seem obvious to us but not to our customers, which is why it is important that we support them.
5. Q: In addition, just under a majority of people said that they felt forced to use these platforms for a number of reasons, such as the reduction in the number of counters and branches, the fact that opening times are not suitable or the fact that the price of branch services is rising. What is your opinion on this point? Are there still alternatives to using digital tools?
- BM: This is indeed a major debate in the industry, which is turning more and more towards digitalisation. In fact, services provided via banking applications are cheaper and those provided physically a little more expensive, mainly because they require infrastructure and staff. However, there are always alternatives to using banking applications. It is understandable that some people feel forced to use these platforms, but it is also important to understand that there is huge demand for them and that many customers don't want to go to a branch, so if we don't adapt to digital they will go elsewhere.

6. Q: It is often said that bank counters are doomed to disappear, but 43% of people said it was important for them to keep this service. What about the situation in the bank? Do you think they will actually disappear?
- BM: I think that the majority of bank counters as we know them today are tending to disappear. People can withdraw cash directly from ATMs or by phone. What we are finding is that cash is more resilient than we thought. People sometimes want to be less tracked on their spending, like young people for example, who sometimes prefer cash to digital payments that will protect them from being tracked and then offer appropriate advertising. Clearly, cash is still going to be around for a while. However, counters will probably be dedicated to more specific transactions such as foreign currencies or precious metals. Counter services will probably remain at the main banks' sites.
7. Q: The Swiss banking industry is facing the arrival of new competitors, the neo-banks. These new competitors have no physical presence but offer very competitive rates. How do you think traditional banks can respond in order to maintain their market position? Does the bank currently offer a similar product?
- BM: To tell you the truth, we no longer have any real choice but to transform ourselves, because we are going to find ourselves up against competitors offering services at extremely low rates, so we must be able to align ourselves if we want to keep our customers. This is why we are now proposing matching offers free of charge. Then there is also the fact that if the service is completely free, it will not be the same. The big banks have extensive infrastructures that enable them to offer a service with operators you can call at any time. In addition, I think that the support we can offer customers is much more important. In fact, in terms of the diversity of services we can go further than these new competitors, for example in trading, mortgages, loans or complex operations. As far as the neo-banks are concerned, they can easily digitise mainly day-to-day banking services such as payments or foreign exchange, but when it comes to more complicated transactions that require the services of specialists, it will be difficult to obtain these services from these digital banks.
8. Q: Some Neo-banks, such as Revolut, are not protected by the Swiss depositors' guarantee, so customers' money is not protected in their country. Do you think that traditional banks have an advantage in this respect?

- BM: Although they are called banks, neo-banks do not necessarily have the same regulations as traditional banks when it comes to their activities. Traditional banks have to comply with stricter rules, which means higher costs, even though some of their activities are similar to those of a digital bank. This can be seen as unfair
9. Q: The people questioned in the survey also indicated that these new competitors offer banking services at a better price. In your opinion, is it possible for traditional banks to match their prices while maintaining a physical service?
- BM: Yes, we do. We are now able to offer banking products free of charge. However, I think that the strength of traditional banks and where they can differentiate themselves lies in the fact that we can offer better support and a wider range of services. Although we are able to offer very attractive rates, this must not be at the expense of what our core business is all about: excellent service, great skills and experience. Of course, it is important to realise that services like these cannot be free and have to be paid for. I like to take the example of going to see a doctor. A patient could go and look on the internet to see what medicines to choose, but by going to see a specialist, he or she will have the assurance of a diagnosis and expert advice on his or her condition and the medicines he or she needs to take, even if it costs more.