

Digital Private Banking: Ready for Take-Off?

Even as the Internet-Age progresses, the information exchange between client and bank is dominated by personal contacts and paper statements. At the same time, digital trends and Fintech developments are a highly popular subject. Is Digital Private Banking becoming the future “new normal” in client interaction?

In their survey “Banking in a digital world”, AT Kearney has analyzed the progress of eBanking in a “Digital Banking Readiness Index”. Surprisingly, Switzerland is only found on place 11, behind countries like Singapore, UK, Belgium and Austria.

Despite of its size and global importance, Switzerland is not at the forefront of eBanking developments. The same applies to the roll-out of Digital Private Banking solutions. What are the reasons? During the financial crisis, priority and resources were allocated towards the resolution of the regulatory environment and compliance issues, but this should not serve as an excuse to defer digital innovation.

“ *This is an opportunity for a classical win-win situation* ”

Traditionally, Private Banking has been regarded as a mainly personal- and tailor made business, enjoying a low client turnover and mainly depending on the acquisition- and servicing skills of the Relationship Manager. As a consequence, investments into the business were mainly directed towards the hiring of additional Private Bankers, and much less towards creating real innovation at the client interface, with uncertain benefits.

Also, some Relationship Managers might oppose or even reject the concept of digital private banking because of their fears of losing control over their client relationships. We do not share this concern and to the opposite believe that the personal level of client interaction is very well enhanced by new digital channels.

Clients are changing their preferences in line with their lifestyle, and only a happy client is a loyal client. The new client generation, who has been growing up with the New Media, already consists of digital natives, who are well informed, mobile and open for global competition and might already be more technology savvy than their banker.

This is confirmed by the analysis “Using Social Media and Mobile Technology in Financial Services” of the research company Spectrem: HNWI and UHNWI clients already are the digital nerds of the financial service industry: they use digital channels much more frequently for financial affairs than for instance affluent clients and they even prefer new business media channels over traditional contacts via telephone.

It is surprising how many Private Banks continue to allocate a rather low priority to multi-channel access and as a consequence miss the opportunity to truly innovate their business model by launching a fully-fledged Digital Private Banking strategy. Although the first generation of solutions is now being gradually rolled out by the major players, most of them only provide a relatively modest level of functionality.

At the same time, the online-oriented clients are not impressed about what they get today. They expect a real innovation in their user- and service experience: constant access, execution, trading possibility and tailor made investment proposals. The additional offering could activate the relationship, creates buying opportunities and increases client profitability – the classical win-win situation for client and bank.

Is the quantum leap ahead? There is hope, as the technology exists for some time and market transformation takes place at all levels. If the banks are able to create an attractive, digital client interface, it might even become a new acquisition channel by convincing clients with new, unparalleled service levels.

On the other hand, if slow progress continues, some banks might soon find themselves in direct competition with the fast moving, dedicated, global Fintech providers, who enter this field with more rapid progress and higher dedication.

Robert Hemmi, Managing Partner, rhemmi@tcpgroup.ch

The Consulting Partnership

Since 2001, we provide leading, specialized expertise in Management Consulting and Executive Search dedicated to Private Banking, worldwide.

We are experienced sparring partners to both decision makers as well as professionals in Private Banking.

Please contact Robert Hemmi, Managing Partner for a personal and confidential discussion or a situation analysis.