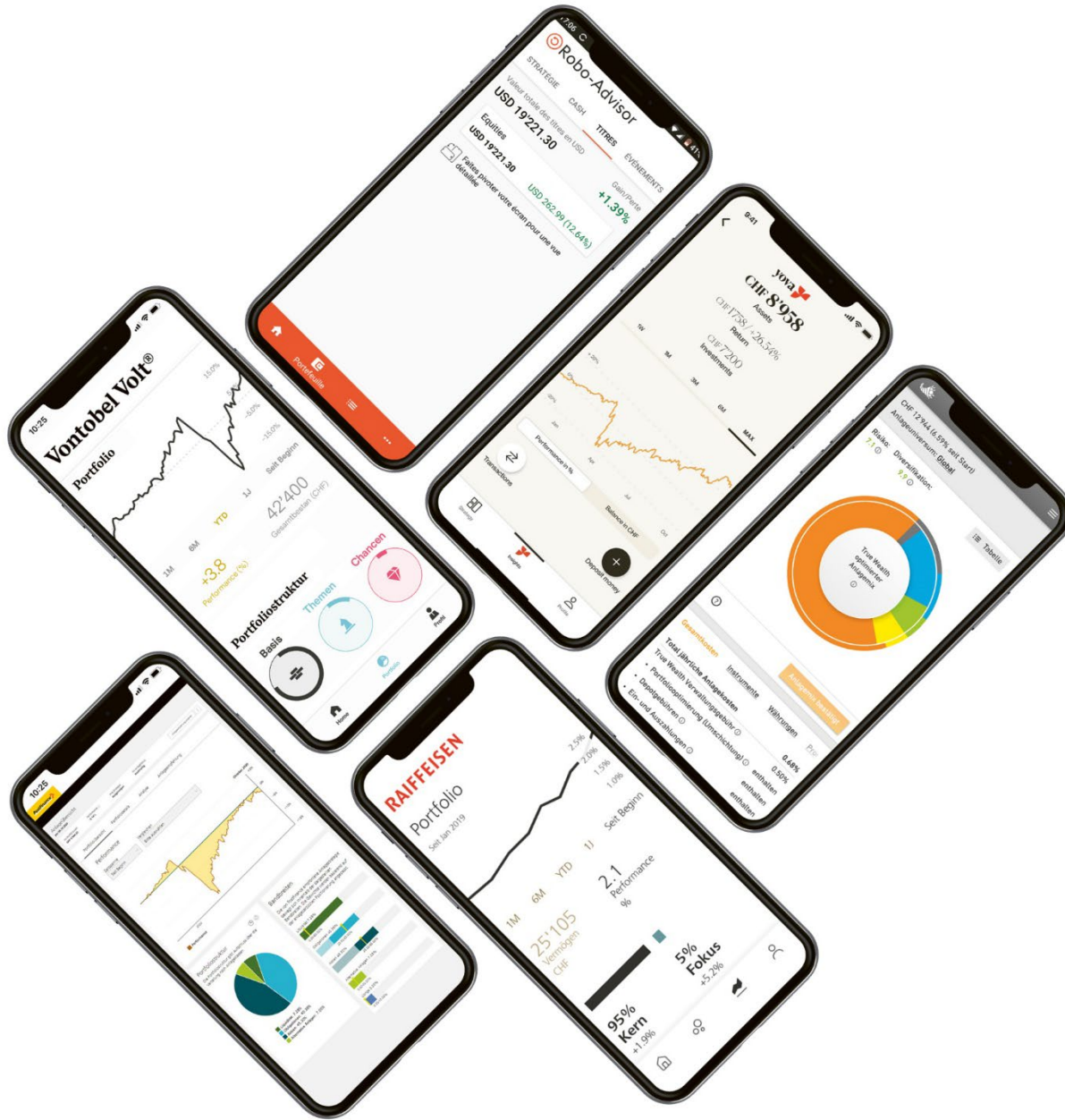


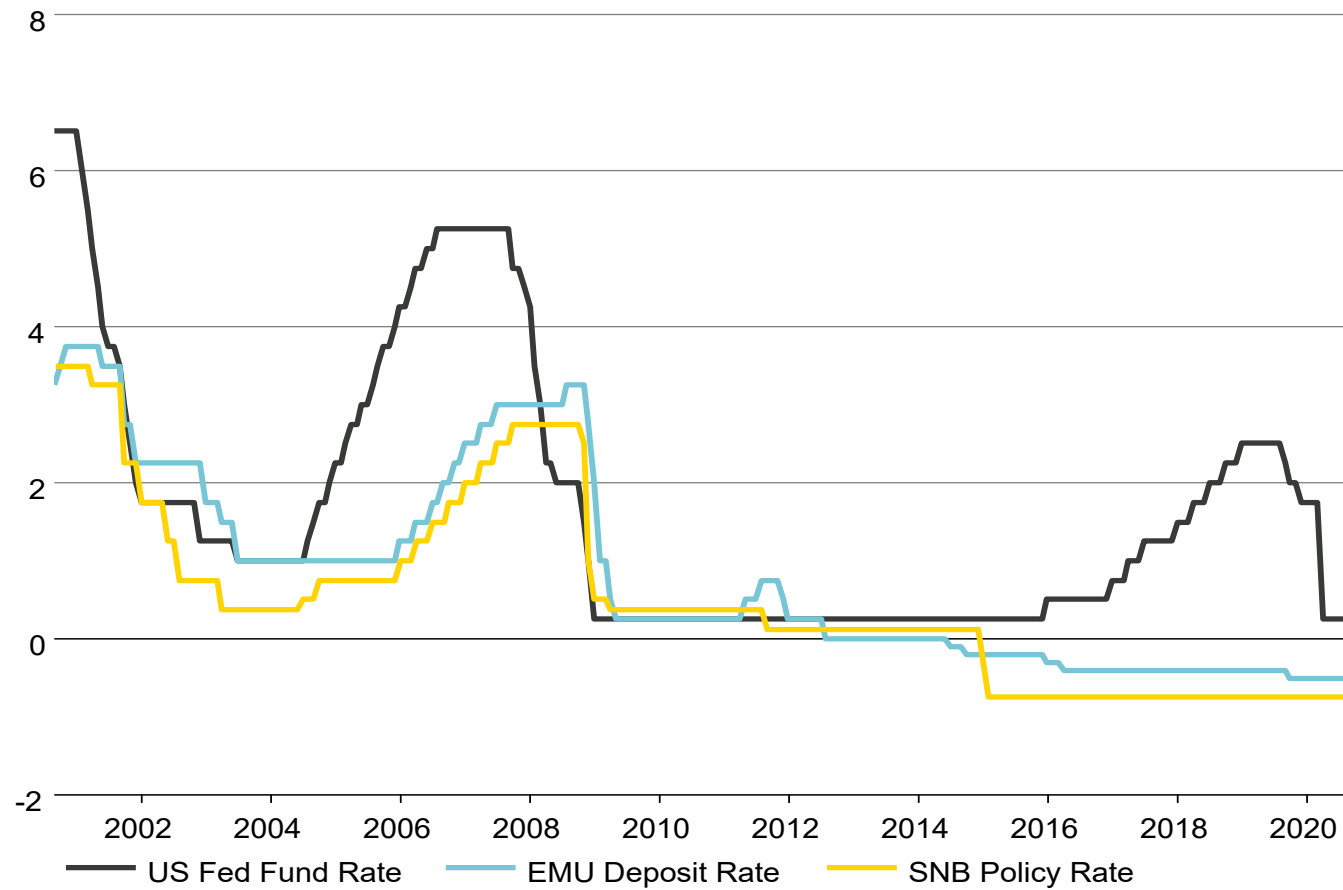
# Digital Investing in Switzerland – A Market with Potential

A study published by the Lucerne University of Applied Sciences and Arts in collaboration with Raiffeisen and Vontobel, based on a representative survey

November 2020



## The investment environment has been impacted by low interest rates for years

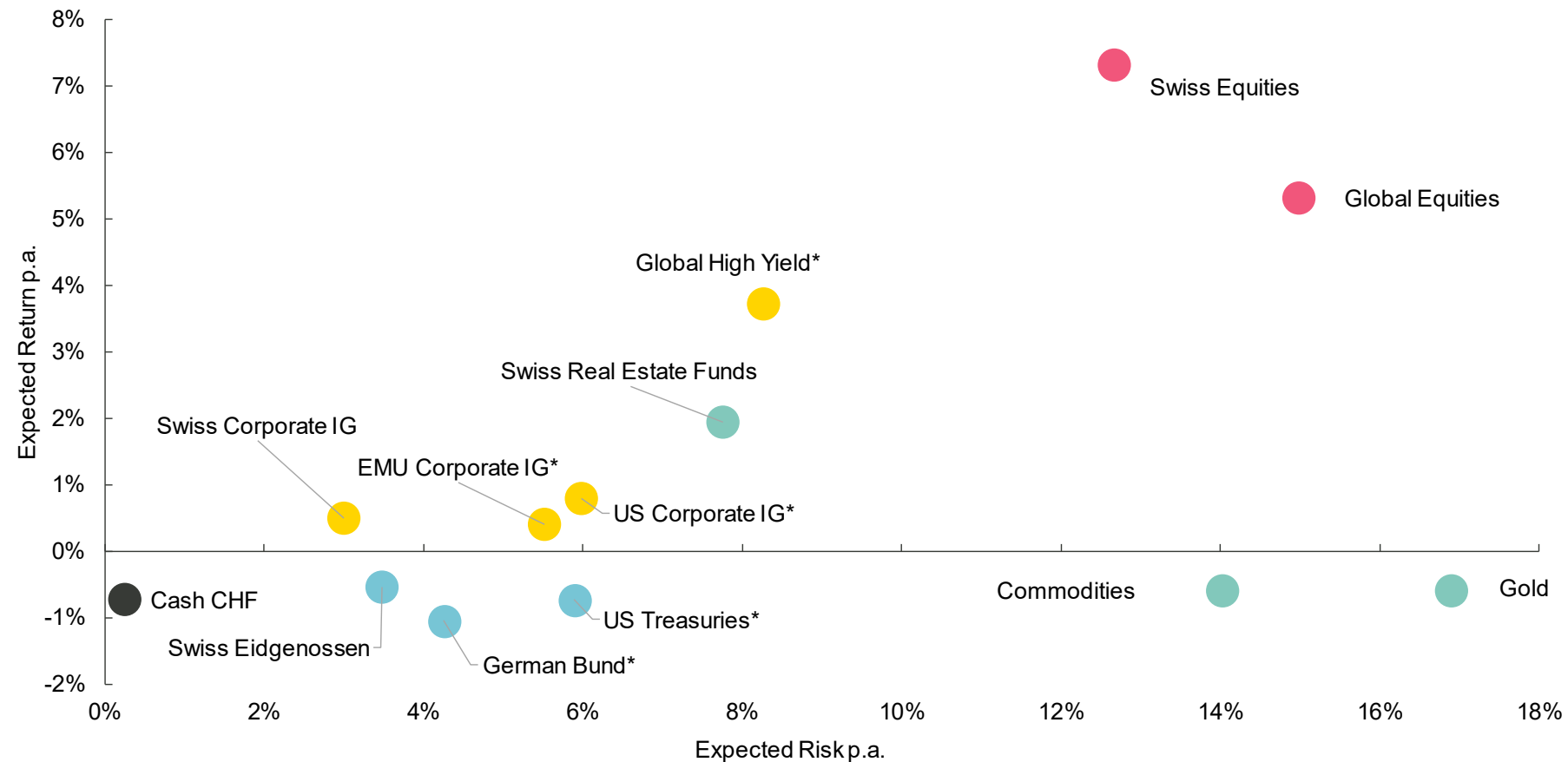


Source: Datastream, Vontobel



# Risk/return overview for investors in CHF

**Increasing return opportunities go hand in hand with higher volatility**



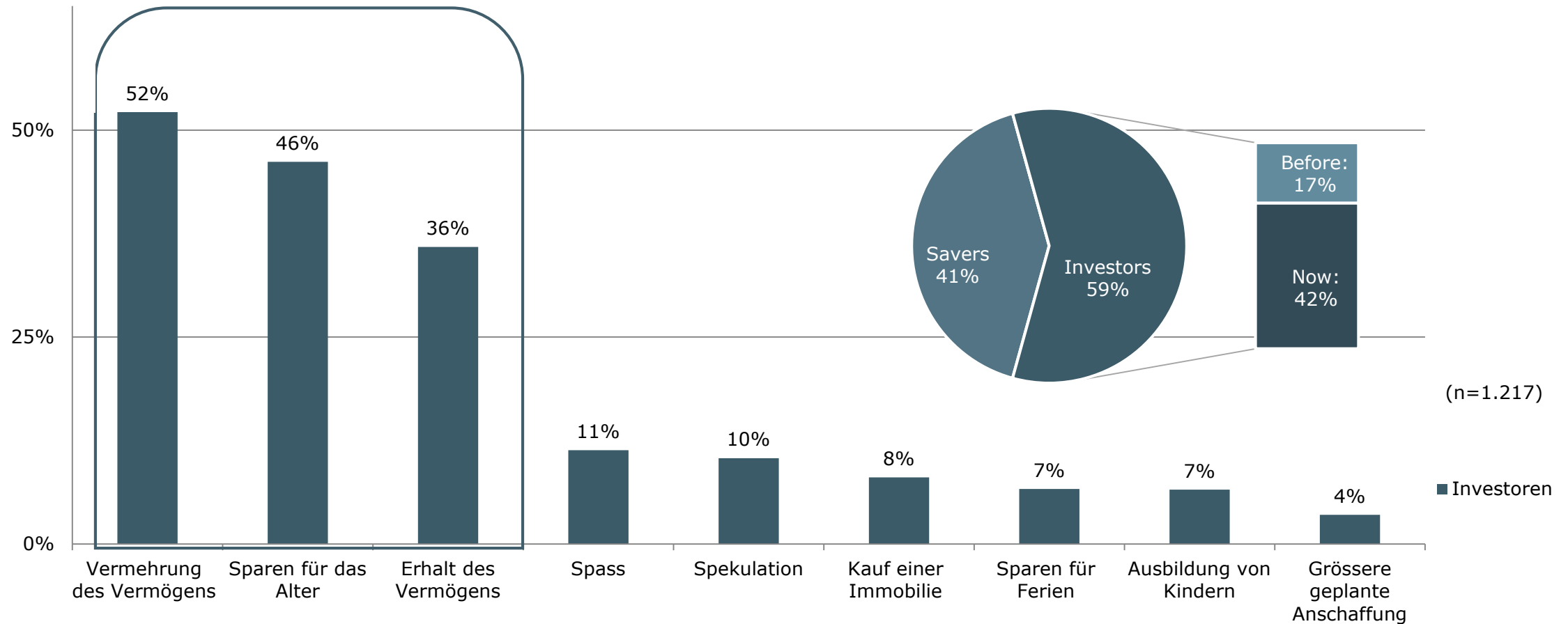
\*Hedged in CHF; Source: Datastream, Vontobel

## 'Investing is the new form of saving': 7 reasons

- 1 There are no returns on savings deposits and government bonds
- 2 Without returns, there is no compound interest effect
- 3 The expansionary monetary policy leads to the inflation of asset prices
- 4 Dividend returns are becoming increasingly attractive (especially compared to bond yields)
- 5 Investors can participate in structural megatrends through equity markets
- 6 Cash has no ESG components
- 7 Market turmoil and the actions of central banks require an active management approach in order to capture opportunities

# The accumulation and preservation of wealth, as well as pensions, are the top investment goals across all groups

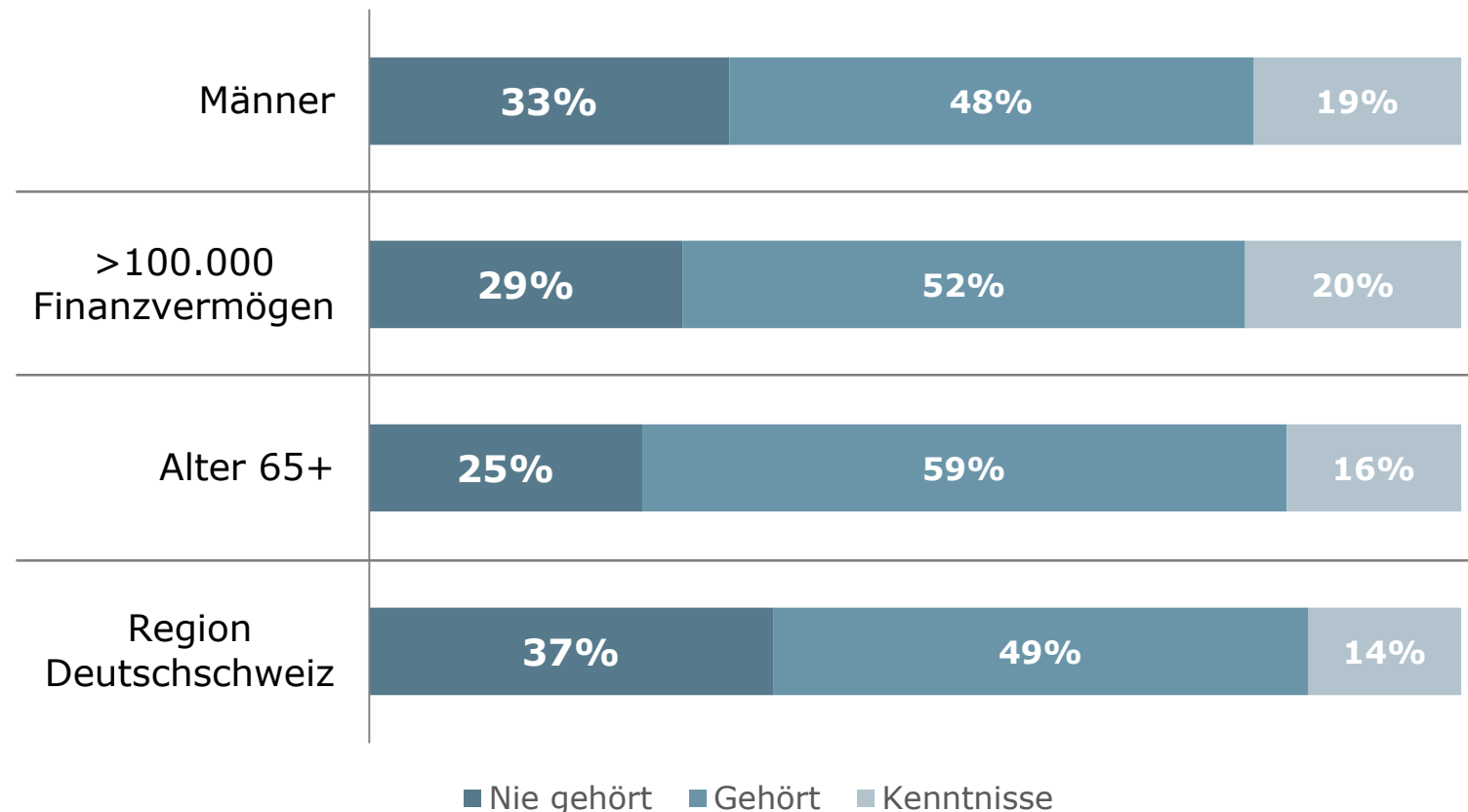
**59% of Swiss were already active in the capital market as investors**



# Men aged 65+ from German-speaking Switzerland with assets of CHF 100,000+ feel that they are best informed about digital investment solutions

## Findings about digital investment solutions

All survey participants (n=1.155)



## Findings:

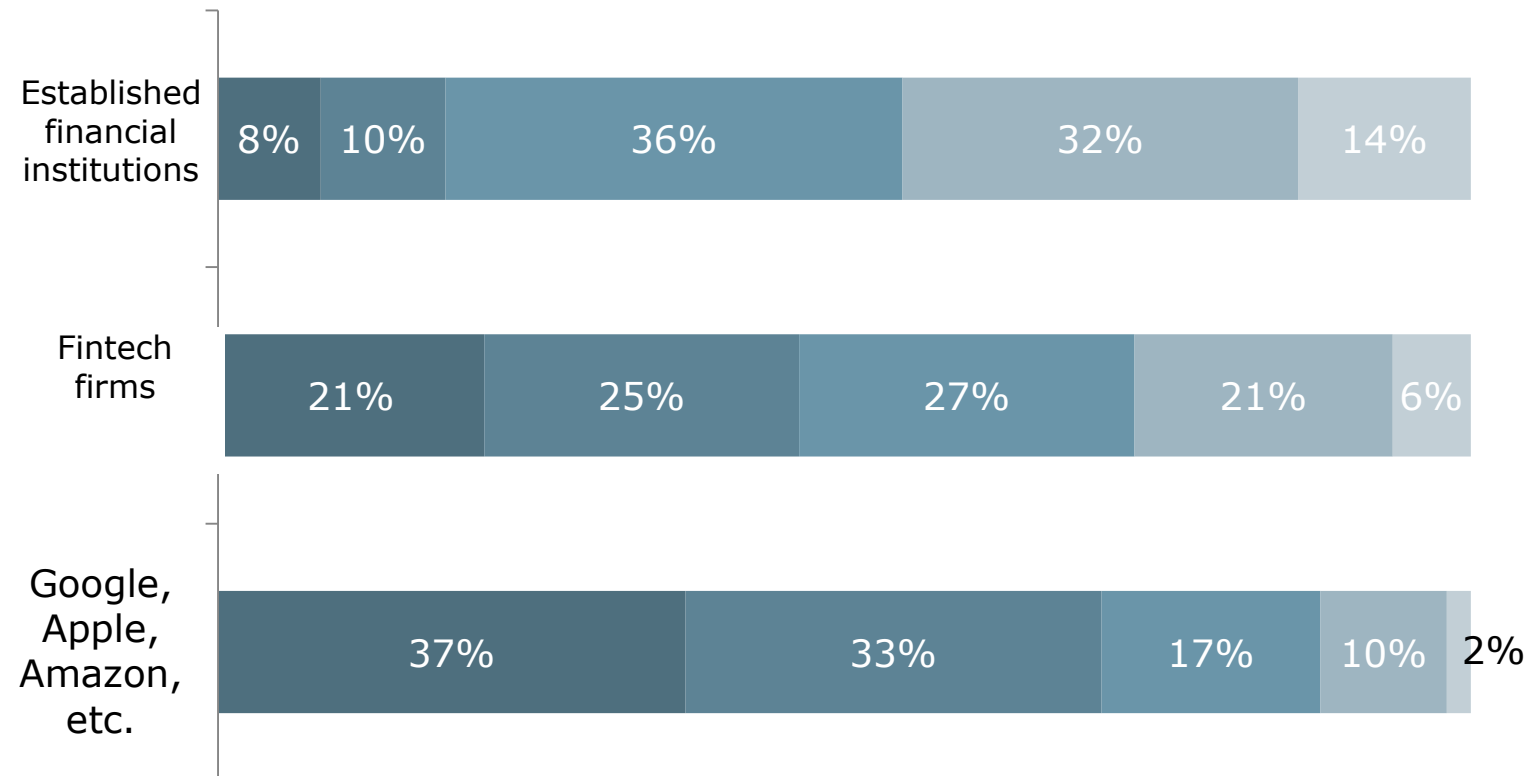
- Women are less well informed than men
- Wealth is a more important factor: Wealthy people in particular perform better here
- People aged 65+ are better informed than younger generations
- People from German-speaking Switzerland and Ticino have greater knowledge than those from other regions

## Legends:

- Have not heard of digital investment solutions
- Have heard of digital investment solutions
- Possess knowledge about digital investment solutions

# The Swiss trust established financial institutions more than Amazon, Apple or Google – when their money is involved

**Probability of investments being made in digital investment solutions offered by these partners in the future** as a percentage of (potential) users surveyed (n=109)



### Findings:

- Established financial institutions are favored over other partners
- The probability of a digital investment account being opened with an established financial institution is 19% higher than with fintechs and 34% higher than with Google & Co.
- Big tech groups are not yet viewed as a potential alternative to banks
- Almost no respondents said that digital banks were their house bank

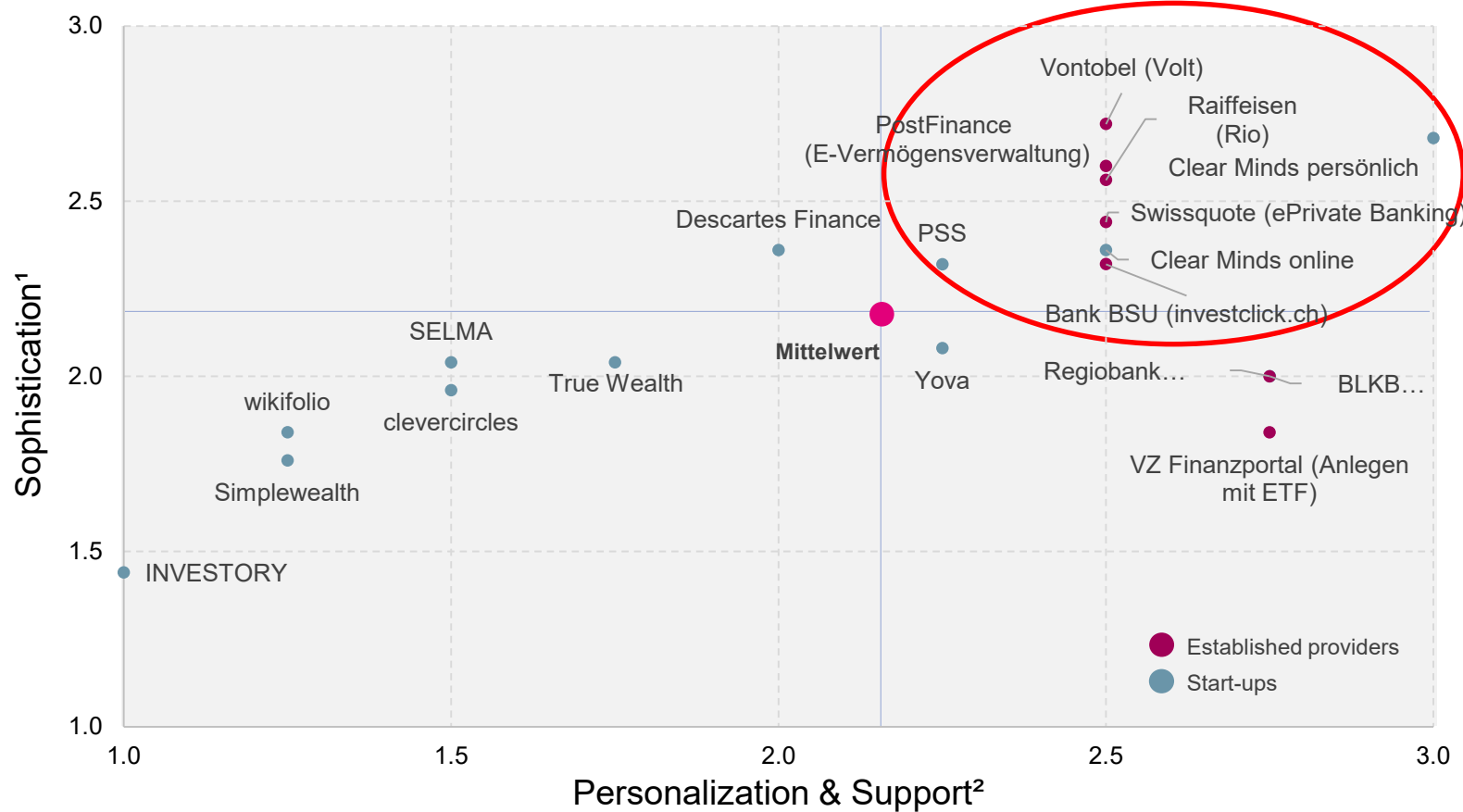
### Legends:

- 1 = Extremely unlikely
- 2
- 3
- 4
- 5 = Very likely



# Diversity in Switzerland is increasing with the trend towards hybrid digital solutions

## Evaluation of the business models of digital investment solutions in Switzerland – trend towards hybrid solutions Source: Swisscom & IFZ, 2019



### Findings:

- Trend towards hybrid solutions – robo-advisory
- Digital wealth management solutions of established providers offer greater sophistication and more personalization
- Advisory support is mainly available from established providers

<sup>1</sup>**Sophistication:** Measures the scale of the process to determine the risk profile and the meaningfulness of the resulting risk profile, the intuitive usage and information value of the website, the number of asset classes as well as the sophistication of the investment process

<sup>2</sup>**Personalization & Support:** Measures the degree of personalization of the investment recommendation, the breadth of the investment recommendations as well as the availability of advisory support

## Soloists and Validators are the largest groups of potential users of digital offerings

**More than one-quarter of Swiss investors already use digital investment solutions or can imagine using them**

### 34% of Swiss investors are Soloists



- 49% have already heard about digital wealth management, 31% have a slight to good knowledge of it
- 10% use and 25% see themselves as potential users of digital wealth management solutions

- Investment decision is made autonomously and with the partner

### 56% of Swiss investors are Validators



- 58% have already heard about digital wealth management, 13% have a slight to good knowledge of it
- 7% use and 12% see themselves as potential users of digital wealth management solutions

- Decisions are taken and opinions formed with the support of partners and bank advisors

### 10% of Swiss investors are Delegators



- 44% have already heard about digital wealth management, 12% have a slight to good knowledge of it
- 6% use and 11% see themselves as potential users of digital wealth management solutions

- Investment decision is fully delegated to the advisor

## Personas: Validators are women, Soloists are mainly men

### Soloists



- often come from German-speaking Switzerland;
- frequently belong to Generation Z or Generation X;
- are men.

### Validators



- represent the largest group of Swiss investors and frequently come from Ticino or German-speaking Switzerland;
- 60% are from the baby boomer generation;
- More than 2/3 are women.

### Delegators

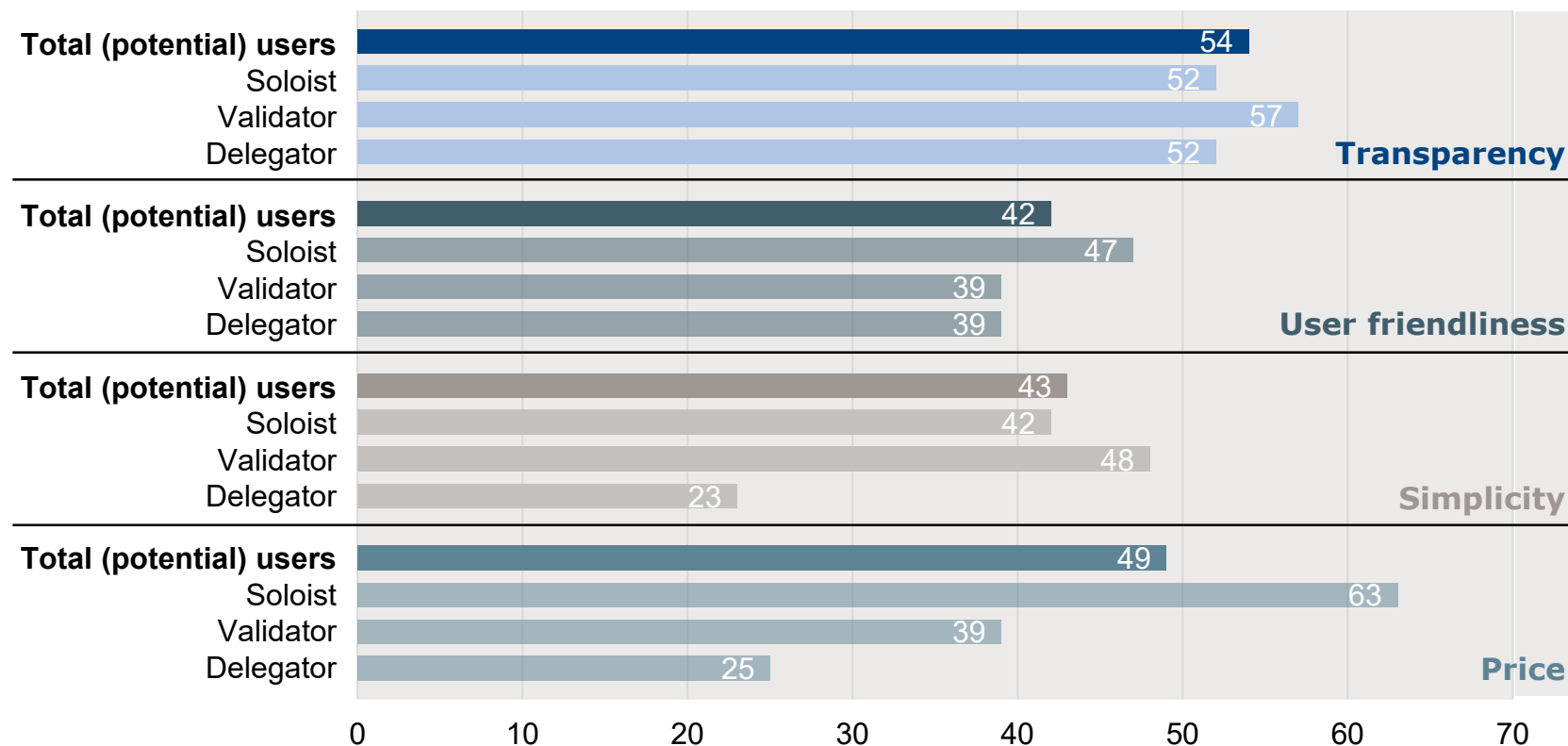


- represent the smallest group among the Swiss population and most frequently come from French-speaking Switzerland;
- belong to Generation Y;
- are women.

## Validators mainly want transparency, user friendliness and simplicity

### Importance of criteria in the choice of provider

Top-4 criteria in % of the (potential) users surveyed (n=168)



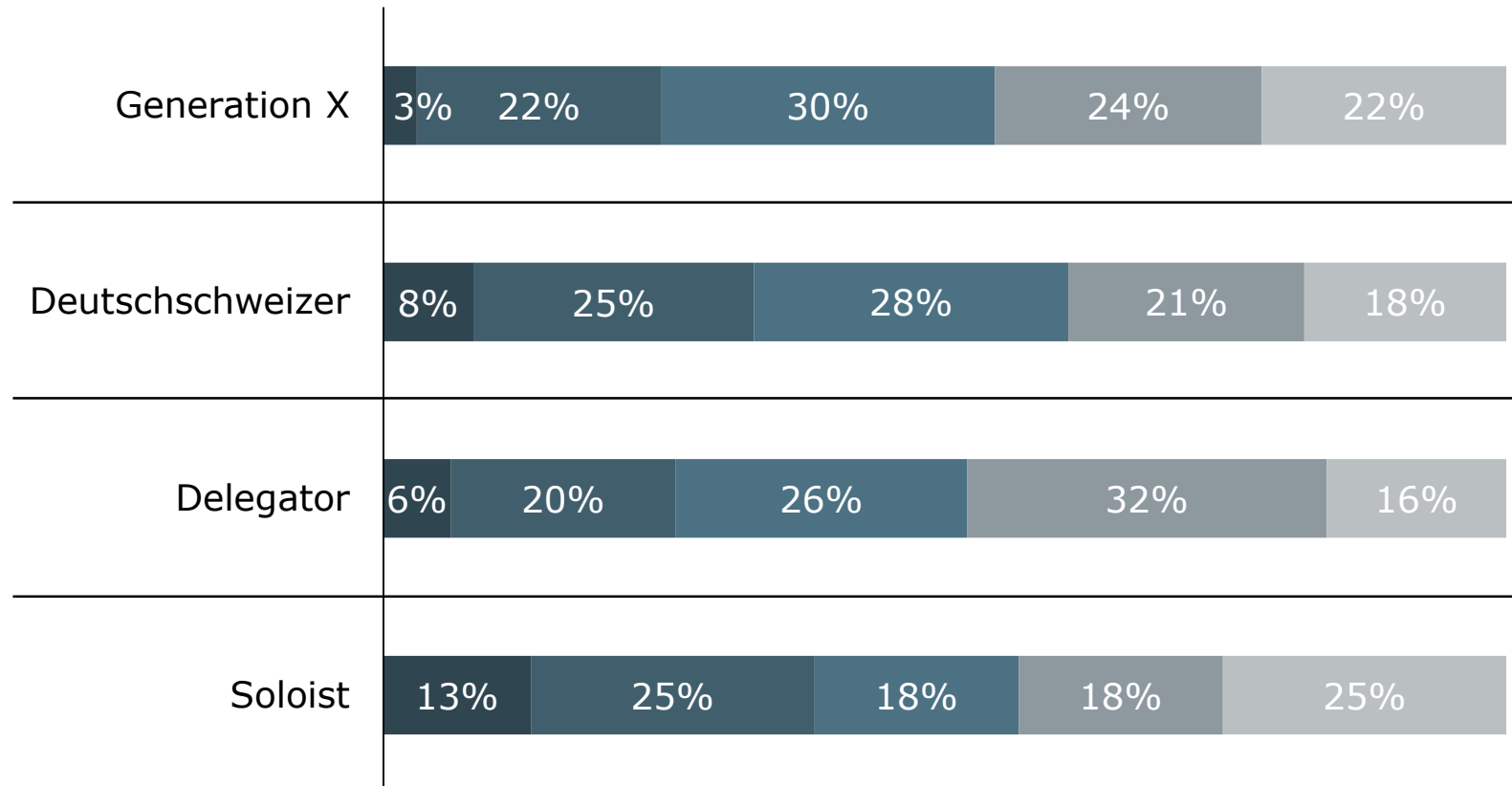
### Findings:

- Transparency and user friendliness are of considerable importance across all groups
- Clients are prepared to pay an appropriate price for a good offering. Validators and Delegators in particular assign less importance to costs than to transparency and user friendliness
- Soloists are the group most focused on obtaining value for money compared to other personas

## Delegators from Generation X in German-speaking Switzerland like to make long-term investments – Soloists have a much shorter investment horizon

### Investment horizon

Proportion of 'investors' surveyed (n=707)



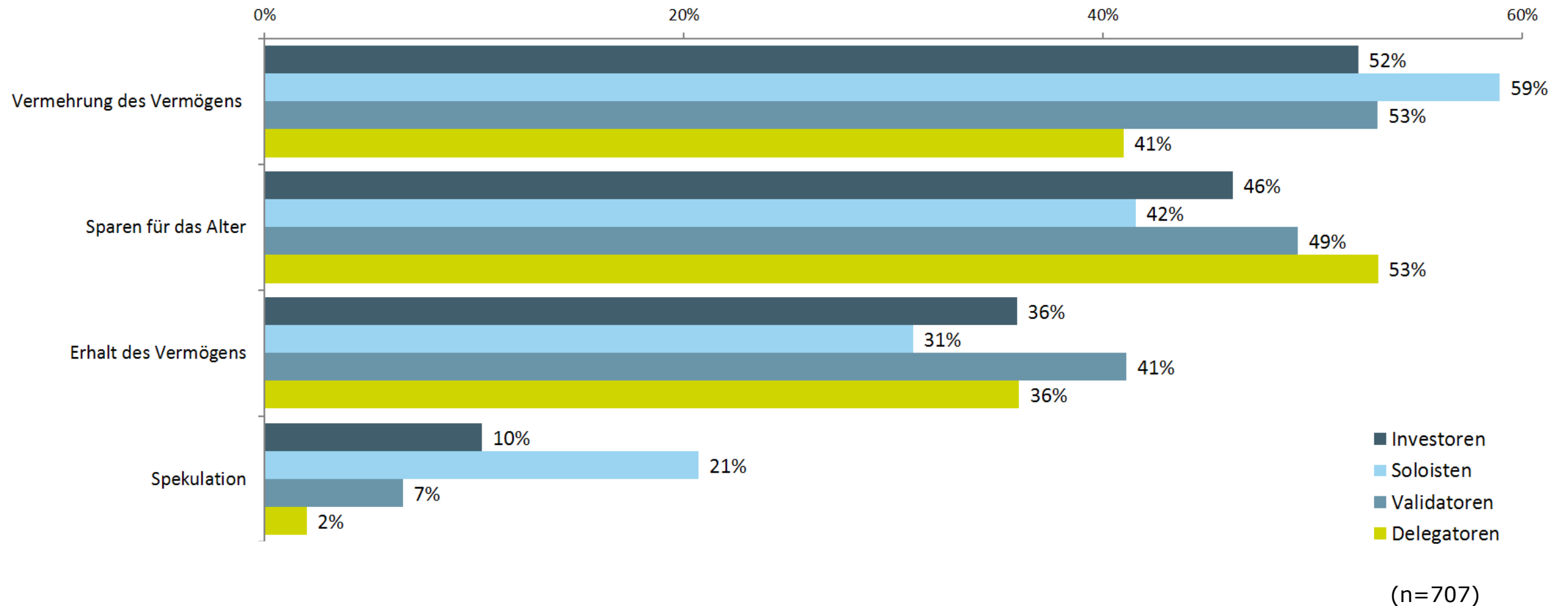
### Findings:

- Strong correlation between investment horizon and investment objective
- Differences between regions regarding investment horizon are only small

### Legends:

- <1 year
- 1-5 years
- 5-10 years
- >10 years
- Varies

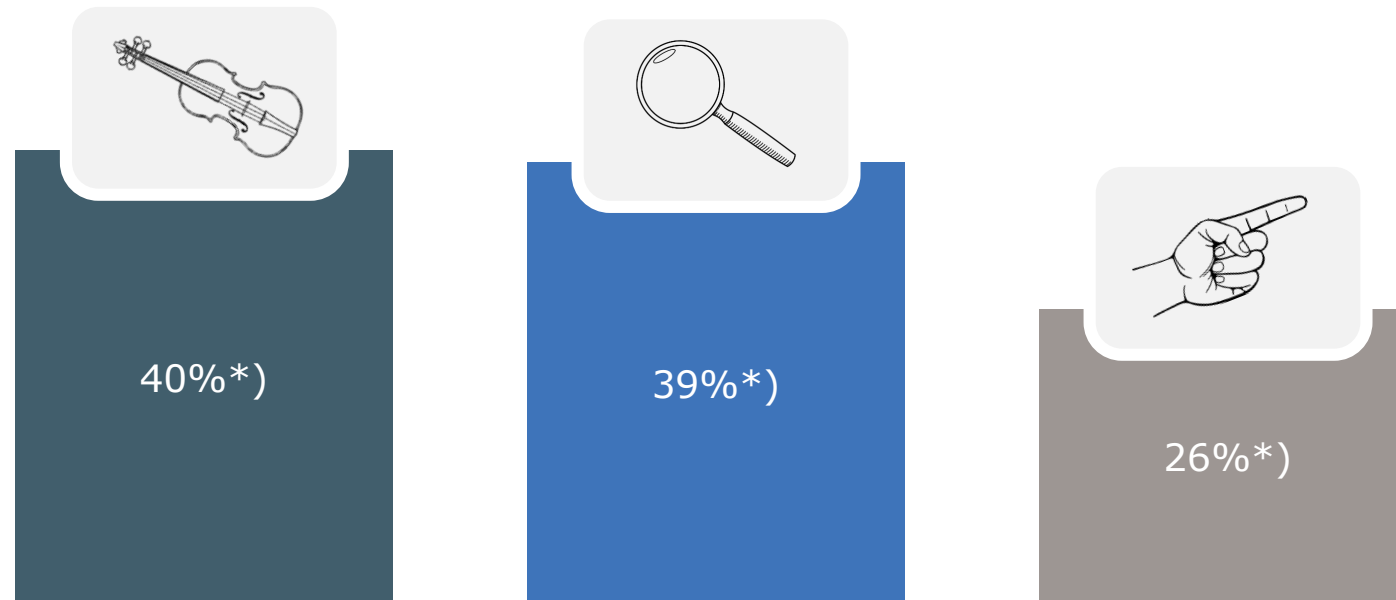
## Pensions are more important for Validators and Delegators than for Soloists



## Generation X makes greatest use of the capital market for Pillar 3a but cash is still king

**Soloists and Validators invest in the capital market most frequently to build their personal Pillar 3a assets.**

**Which proportion of your Pillar 3a savings have you invested in securities? (n= 717)**



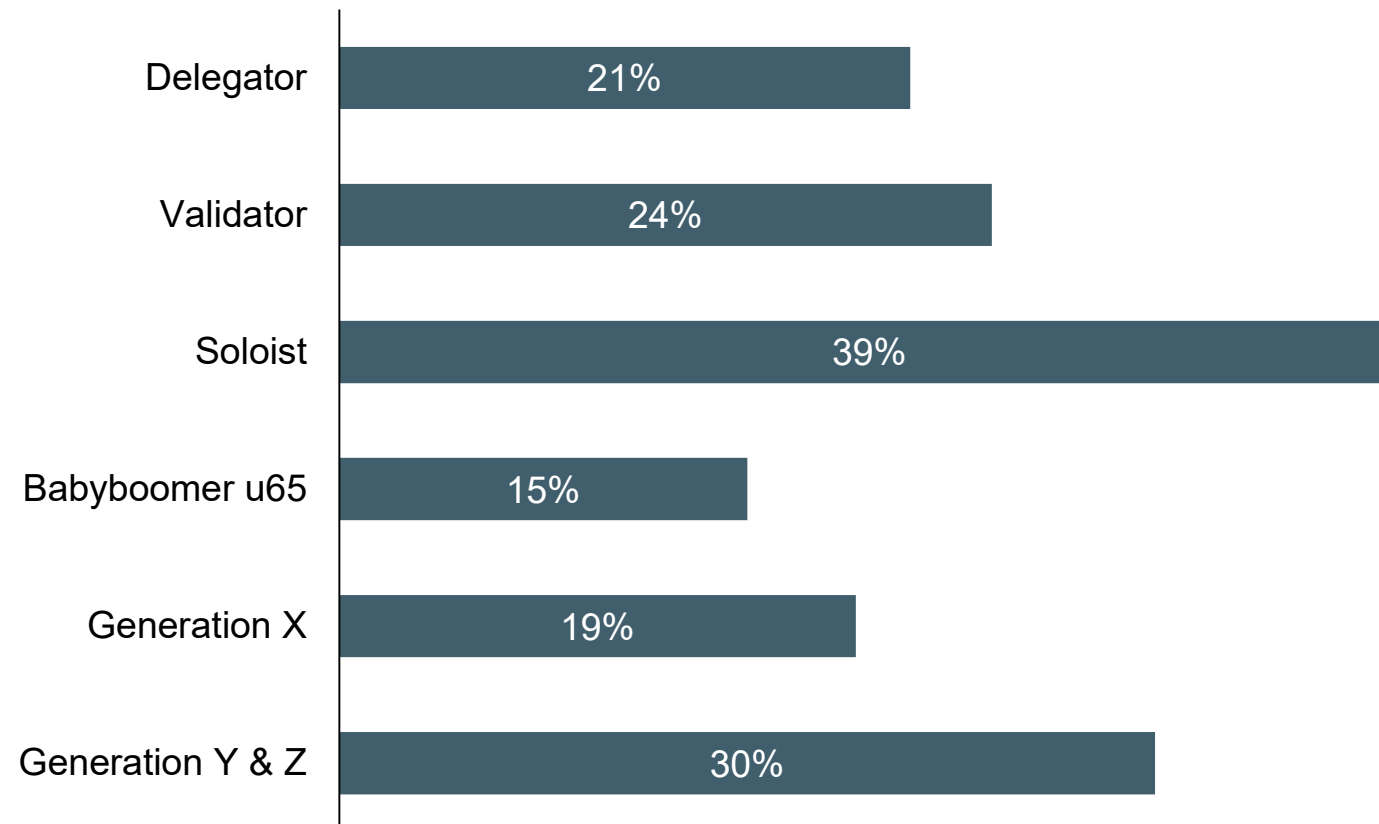
### Findings:

- 86% of Validators and 81% of the Soloists and Delegators surveyed have a 3a pension account.
- Across all personas, 3a investments are largely held in cash.
- Soloists invest more of their pensions in securities than all other personas.
- Men appear to have a higher risk appetite than women in the area of pensions.
- Generation X makes the most use of the opportunities offered by the capital market for their pensions.
- As income and asset levels rise, there is a growing willingness to secure retirement provision by investing in securities.

\*) invest more than 11% of 3a contributions in the capital market

## Pillar 3a is a growth market – also digitally

**Could you imagine digitally investing part of your Pillar 3a assets in the next 12 months? (n= 891)**



### Findings:

- A total of 22% of Swiss respondents could imagine also digitally investing in Pillar 3a in the next 12 months. Validators and Soloists display an above-average level of interest.
- It is primarily men, investors with above-average earnings and younger people who can imagine using a corresponding digital solution.
- Digital clients want to have a say in what is invested in and they expect individual and personal support.
- Pillar 3a is becoming more important due to cuts to occupational pension plans but is still being used (too) little.



## The Swiss want both digital and human options

- The development of this market will accelerate in the coming years – driven by the growing range of offerings and, in particular, by major market participants with large client bases
- Digital solutions offered by established financial services providers have an advantage in terms of trust
- Hybrid model has potential
  - Digital tool with established bank provider in the background
  - Digital investment solutions are still regarded as a complement to traditional offerings
  - Digital wealth management can be presented as a potential means of transitioning from saver to investor
- Soloists and Validators are the main target group
  - Clients are mainly seeking transparency and user friendliness
  - The interest is basically there but knowledge about digital solutions can be expanded
- Digital investors tend to be more independent and more risk tolerate than people who have no interest in or are not even aware of these products
- Digital Pillar 3a has potential
  - Digital solutions pay off for clients seeking lower-cost options and the chance to have their say regarding the type of investment
  - Younger people in particular, who have a longer investment horizon, should hold a larger proportion of securities
  - Private pensions are a growth market whose development is set to accelerate further as a result of digital solutions

# APPENDIX

## About the study

- Representative online survey carried out by the LINK Institute:
  - Questions concerned the relevance, needs and user behavior as well as the interest in (digital) investing
  - 1,217 people resident in Switzerland, aged between 18 and 79
  - 59% of respondents were classed as 'investors' (n=718)
  - The survey was completed between May 20 and June 3, 2020
- Evaluation of the survey results by the Institute of Financial Services Zug IFZ:
  - Overview of current landscape of investment offerings
  - Analysis of the relevance, needs and user behavior of the Swiss population in the area of (digital) investing
  - Creation of personas to evaluate possible client groups for digital investment solutions

The study was commissioned in 2020 by Raiffeisen Switzerland and Vontobel.