

Claude Baumann: «Herd Mentality of Banks Deepens the Blues»

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Swiss banks will have to focus on what they are doing best and cut costs if they are to survive digitization and a stiffening global competition, says Claude Baumann, CEO of *finews.com*, in an [interview with Thomas J. Caduff](#).

Claude Baumann, will really everything get worse this year?

Well, you would be excused for believing so – bad news are rampant at the moment. But in banking, the herd mentality always has been particularly pronounced. Either everyone is super euphoric or all and sundry has the blues. Currently, feeling depressed is the flavor of the day.

In fact, the current situation presents us with the perfect opportunity to reevaluate, to adjust our own investment strategy to the new cycle and to look for alternative investment opportunities, for instance in private equity.

Aren't you a little too optimistic?

No. It all comes down to which investment horizon you have. In Asia for instance, volatility on the markets is very common. You play with it and investors don't panic when stocks fall. And you also plan long-term.

«The spirit of euphoria for sure has abated. Digitization today is mainstream»

Take Vietnam (96 million inhabitants), the Philippines (105 million) or Indonesia (264 million). Taking together, the huge economies have almost half a billion mostly young people. There's an enormous demand for all sorts of goods in those countries.

And more specifically?

Digitization presents new and hitherto unheard of opportunities to vast sectors of the population in emerging markets. On their mobile devices, consumers can compare and buy any consumer goods they like, purchase services or make financial deals of all sorts. Companies that are active in this business and cooperate digitally with each other have a great potential and future.

Speaking of which: Switzerland is known for its banks. Where are they after roughly five years of digitization?

The spirit of euphoria for sure has abated. Digitization today is mainstream. All banks are pretending to be digital. But in most cases they're not going the last mile.

Why?

Because, to a very large extent, they would make themselves surplus to requirements. You no longer need a bank for a number of financial services. Take the payment services, certain types of loans, exchange services or investment strategies.

«Everything else remains mere window dressing»

You don't need a bank for these. With the progress of the blockchain, enabling smart contracts, this development will accelerate further and even further banking services will be affected. Therefore, banks face a dilemma when they have to decide about how to continue with digitization.

What does this mean for their future?

Specialization. Banks that aim to remain successful in future need to focus on their core business and refrain from offering a bit of everything. Retail banks should focus on corporate and small customers and not pretend to also be a private bank. And the opposite also holds true: private banks should focus on the seriously rich. Because this is where they can generate proper fees. Everything else remains mere window dressing, including investment banking at the two big Swiss banks: too small to play in the global first division and a huge cost factor all the same. Investment banking has weighed on the stock price for years due to the banks' blurred overall strategy.

What will happen to the financial market given the outlook you've presented?

On a global perspective, our country should focus even more on wealth management for the really rich. Switzerland offers the very best conditions for this business, as long as it looks after its framework.

«I'm also looking forward to the tenth anniversary of finews.ch»

Two adjustments remain crucial: first, the investment performance of the banks has to become as good or even better as their foreign rivals' and second, they should use digitization to become more cost efficient to help them keep up with foreign competitors.

What is it that you are looking forward to this year?

No doubt to the further expansion of the *finews* websites in Switzerland and Asia – not least on the background of the growth dynamic in countries where the financial market will continue to boom for years. I'm also looking forward to the tenth anniversary of *finews.ch* – we started digitizing ten years ago!

Claude Baumann is co-founder and chief executive officer of *finews.ch* and one of Switzerland's leading financial journalists. He's also the author of several books on the banking industry. ***(Interview by Thomas J. Caduff, founder of financial website fundplat.com)***