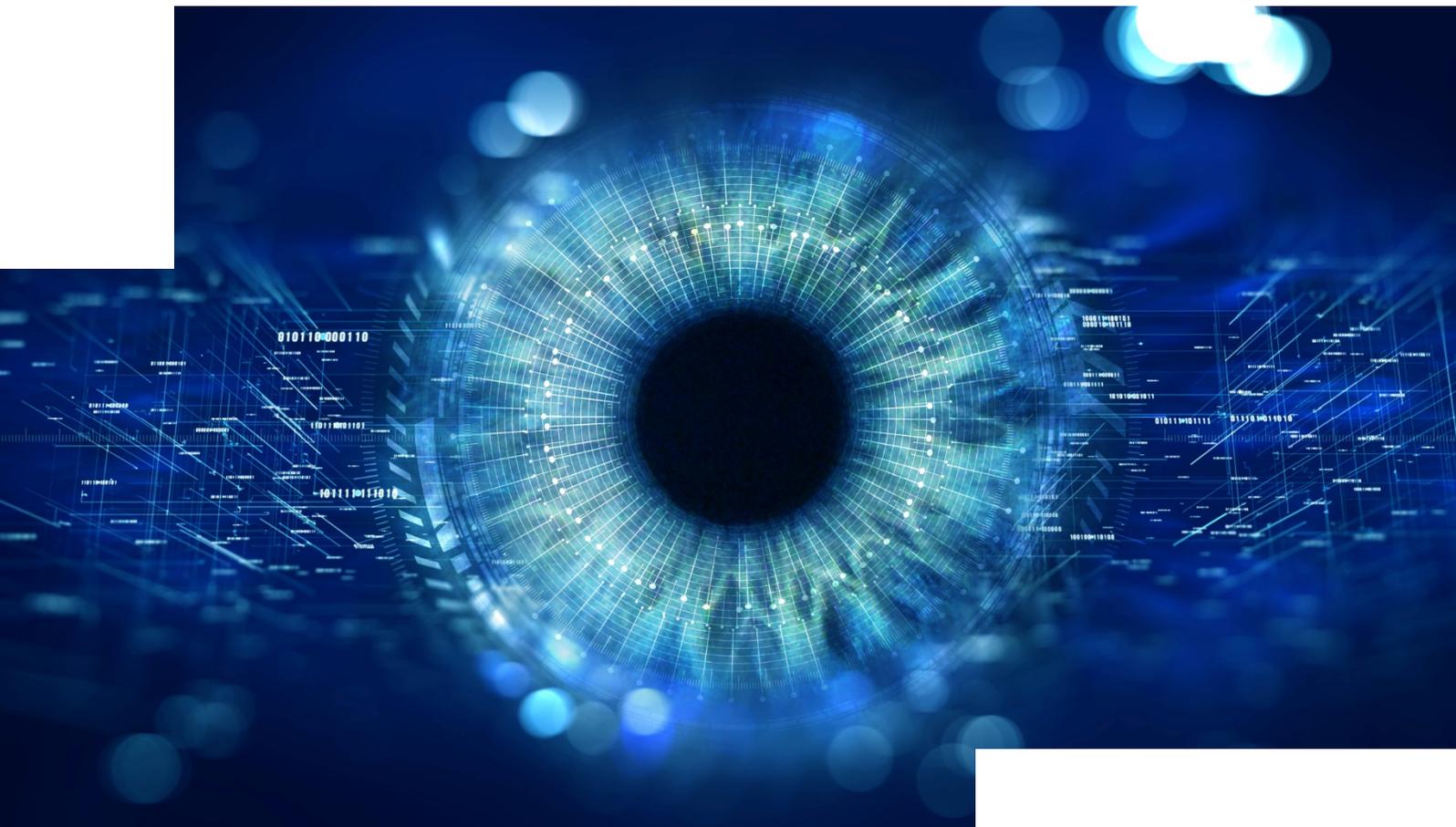


Magic word: ecosystem

Swiss PropTech Report 2022 | June 2022



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Publisher: Credit Suisse AG, Investment Solutions & Sustainability

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Editorial deadline

15. June 2022

Publication series

Swiss Issues Immobilien

Visit our website

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Dear readers,

The best way to stay young and agile is to watch – and learn from – what the younger generation is doing. It is a similar story when it comes to the real estate sector. Proximity to PropTechs, these generally young businesses that set out with the intention of moving the real estate industry into the digital age, has many advantages. It opens market participants' eyes to what is happening, gives them an insight into the fascinating transformation of an entire economic sector, makes upcoming challenges visible and is highly instructive. This marks the fifth edition of our PropTech study dedicated to this aspiring segment.

The 2022 study shows that the PropTech sector has lost none of its momentum, still harbours the best growth prospects and is playing a key role in the digitalisation of the real estate industry. At the same time, the segment is becoming bigger and more complex, which is not making it any easier to acquire new customers. In this context, ecosystems have become something of a ubiquitous magic word, and one which is also cropping up more and more frequently in established companies' annual reports. In this year's report, we have endeavoured to shine a light on ecosystems by dedicating this year's focus to this topic.

We would like to take this opportunity to thank all those who took part in the 2022 PropTech Survey for their contribution, without which it would not have been possible to bring some transparency into a market that will change the world of real estate on an enduring basis.

We wish you all an enjoyable read.



Reto Ehinger
Head Global Real Estate
Credit Suisse Asset Management



Gerald Kremer
Chief Digital Officer Global Real Estate
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Magic word: ecosystem

Impressive growth in employment and revenues and what remains a high rate of new start-ups cannot hide the fact that PropTechs too are facing stiffer headwinds. The interest rate reversal and mounting uncertainty are unlikely to make it any easier to raise funds and maintain the high level of revenue growth. In this feature article, we focus on the formation of ecosystems with a view to tackling these challenges more effectively. Meanwhile, this young industry benefits from the significant growth opportunities promised for structural reasons. At the same time, both the real estate sector and investors are now aware of PropTechs' potential.

Facing the headwinds of the economic environment

The last few months have seen headwinds for the PropTech sector in the shape of rising interest rates, high market volatility and widespread uncertainty. Recent months have seen stock market valuations of publicly traded PropTechs suffering substantial corrections worldwide, which have significantly outstripped those of standard assets. In the meantime, though, there have also been some encouraging signs. According to the financial data firm PitchBook, 2021 was an absolutely record year in terms of the volume of European PropTech investments, and the sector also weathered the adverse conditions of the first quarter of 2022 relatively well. Furthermore, the Global PropTech Confidence Index drawn up by MetaProp found that in late 2021 investors were exhibiting the highest level of confidence since records began (figure 1).

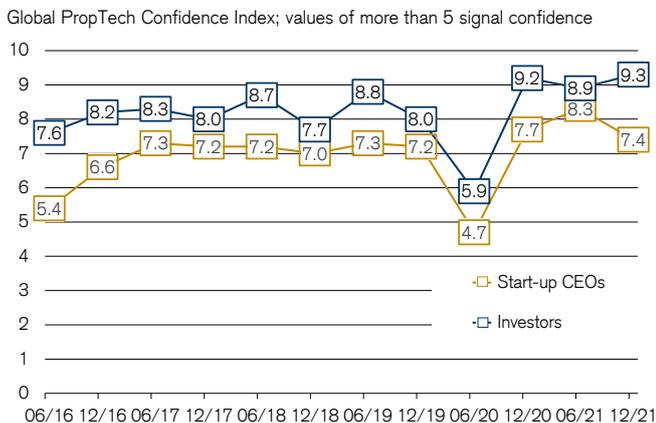
Venture capital likely to become more selective

By way of contrast, however, confidence in the future among CEOs of PropTech companies was already waning. It appears they already anticipate that it would not be quite so easy to raise funds in the future as it had been until then. Even though providers of venture capital still have a very large amount of funds waiting for investment opportunities – it remains the case that there is not a lack of funding but of outstanding investment opportunities – going forward venture capital is likely to be channelled more to businesses with solid financial ratios, compelling products and a high-class management team.

Extensive movement in the PropTech landscape

The PropTech landscape in Switzerland continues to move strongly (figure 2). Compared to last year's survey, another 40 new PropTechs arrived on the scene, which means there are now 360 such firms in total. Growth has been especially marked in the categories of floor plans/AR/VR/3D (+35%), finance (+30%) and services (+28%). There has also been pronounced growth in the marketplace/platform (+23%) segment. In contrast, the asset management, rental and blockchain categories have stagnated. And for its part, the sale category has contracted. Caused by adjustments to the PropTech Map Switzerland which led to the removal of various estate agents who no longer qualify as PropTechs. This clear-out demonstrated that it is becoming increasingly difficult to unequivocally identify PropTechs as such and to differentiate them from companies that simply make extensive use of digital tools.

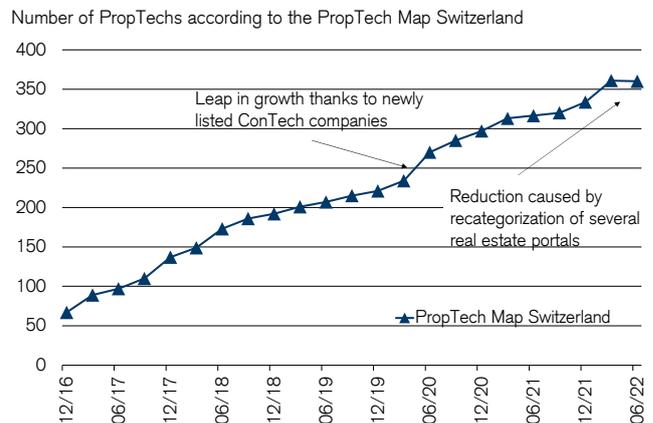
Figure 1: Investors more confident than CEOs



Source: MetaProp, Credit Suisse

Last data point: 12/2021

Figure 2: PropTech sector continuing to grow



Source: proptechnews.ch, Credit Suisse

Last data point: 05/2022

PropTech survey 2022

The various categories are strongly represented once again in this year's survey – with the exception of the blockchain category, which has become something of a wallflower on the PropTech Map Switzerland as well, with just two remaining representatives. PropTechs from the smart building/IoT, software/CRM/ERP/data management and marketplace/platform categories are heavily represented in the survey. The services category carries more weight in this year's survey, though it still makes up a lower proportion than its share of the PropTech Map Switzerland, according to which more than one in every four PropTechs is part of this segment. The categories of rental and building are also somewhat under-represented in the survey compared with their place in the PropTech landscape in Switzerland. 66 PropTechs completed this year's survey in full, which equates to a response rate of 19%. The results of our survey may vary from year to year depending on the structure of survey participants as the samples are not identical. Nevertheless, the results still provide valuable indications of the general trend, which is why we compare current results with those of past surveys in some instances.

Covid-19 boosted the foundation of new PropTechs

The responses from PropTechs show that a large number of new businesses were set up in 2020. The Covid-19 pandemic does not seem to have subdued the eagerness to set up new firms. On the contrary, the digital push which the pandemic also triggered in the real estate sector again led to a high number of PropTech start-ups. In contrast, 2021 was a poor year in terms of new companies being established, and there have been no new entrants at all in 2022 to date. The new PropTechs are helping to rejuvenate the sector, which is reflected in the survey results in that more than half the companies surveyed are still in the growth phase.

Home game for Switzerland's PropTechs

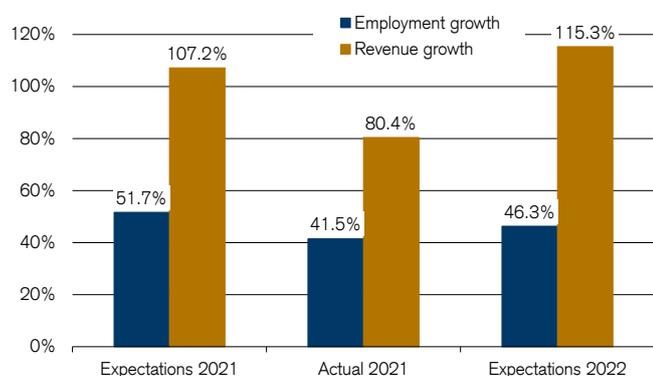
Even though more European companies now appear to be operating in Switzerland, the Swiss PropTech market is firmly in domestic hands, with well over 90% of PropTechs headquartered in Switzerland. Two-thirds of these are from Zurich, Geneva and Vaud, the cantons that drive the Swiss economy. Yet in terms of the number of employees, Zug is the standout canton with 4.3 PropTechs per 100,000 employees. Conversely, PropTechs are fairly thin on the ground in the cantons of Berne (0.6 PropTechs per 100,000 employees) or Fribourg (0.8), let alone Basel-Land, Solothurn, Neuchâtel, Valais or Graubünden, cantons in which none of the PropTechs taking part in the survey have their headquarters. Proximity to potential clients and the availability of highly qualified staff are probably the main reasons for this distribution.

Still plenty of optimism

As the PropTech sector becomes increasingly mature, we are also seeing firms that are failing to achieve their targets and therefore have to reduce their headcount. That said, at less than 8% they make up a small proportion of all PropTechs though. More than two-thirds have added to their workforce in the last 12 months, by an average of 42%. Some three-quarters of PropTechs managed to boost their revenues – by the high level of 80% on average (figure 3). As far as the current year is concerned, 93% expect positive growth in sales, with four-fifths of all PropTechs therefore wishing to increase their headcount, by an average of 46%. Consequently, there is still widespread optimism in the sector, stemming partly from the fact that while the elevated expectations from last year's survey were not met in full, they were achieved to a large extent.

Figure 3: Expected and actual growth in employment and revenues (averages)

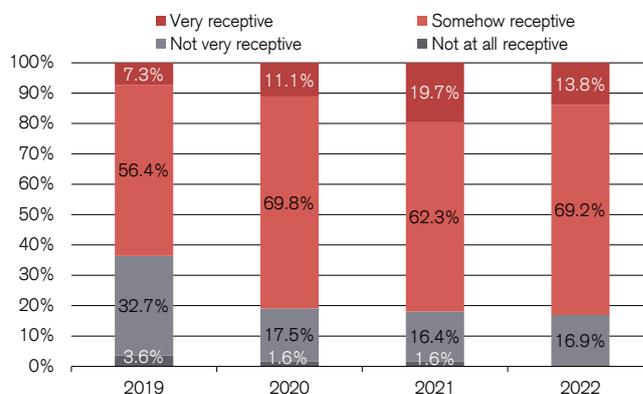
Questions regarding past and expected trend in employment and revenues



Source: Credit Suisse PropTech Surveys 2022, 2021 (N = 60 – 66)

Figure 4: Receptiveness of the real estate sector to PropTech solutions

"How receptive is the real estate industry to PropTechs solutions?"



Source: Credit Suisse PropTech Surveys 2022, 2021, 2020 and 2019

Real estate sector open to PropTech solutions

However, given the growing breadth and depth of the industry, the challenges are likely to increase overall. After the outbreak of the Covid-19 pandemic prompted a spike in interest in PropTech solutions on the side of the real estate industry and the sector was deemed to be even more receptive to PropTech in 2021, there has been no further pick-up in interest in 2022 (figure 4). The growing pressure from the public, regulators and investors to improve transparency regarding the sustainability of properties in their own portfolio is creating a significant opportunity for PropTechs. Many real estate firms recognize the key role that technology can play in obtaining and processing the data required for this. PropTechs can use the solutions they offer to make a key contribution in this area.

Biggest challenges

One reason why the real estate sector has not become even more receptive to PropTech solutions recently may be that the number of PropTechs and their offering of digital solutions have become confusing to a certain extent in the view of many decision-makers in the real estate sector. Hence the biggest challenge for PropTechs is the lack of recognition for their particular solution on the market (figure 5), which means that PropTechs struggle to expand their customer base at the pace desired. Another reason for this is that the lengthy decision-making processes in the real estate sector are frequently incompatible with the impatience and drive of agile PropTech firms.

Urgent need for technical standards

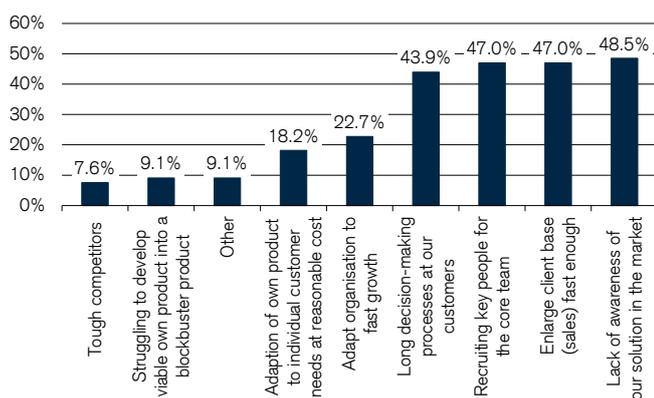
There are frequent calls from the real estate sector for an overarching system in which PropTech products – which often resemble island solutions – can be integrated seamlessly. Interoperability, i.e., the capacity of PropTechs' products and services to work seamlessly with customer-side systems, is therefore becoming increasingly important. This generally relates to the problem-free transfer of data from one system to another. The better the interoperability, the greater the benefits to customers of the services PropTechs offer. According to the PropTechs surveyed, to this end it is especially important to strive for uniform technical standards (e.g., in relation to APIs). In addition, respondents mentioned efforts to make customers more enthusiastic about migrating to digital solutions and offering pilot projects that help to enhance interoperability (figure 6).

Focus on ecosystems

One way of boosting interoperability is to integrate PropTech solutions into wider value chains and overall solutions. This aim has already become a broad-based trend under the umbrella term of ecosystems, which is why we are focusing on this theme in this year's PropTech study. Our survey shows that both PropTechs and their partner firms have a keen interest in this form of collaboration. That said, ecosystems also harbor risks.

Figure 5: Challenges for PropTechs

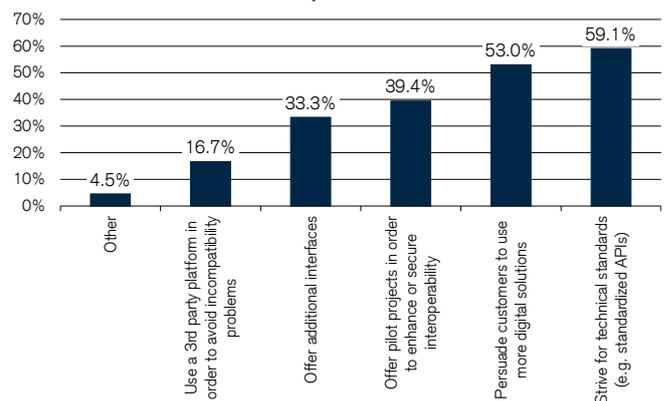
"What are the biggest challenges that your PropTech is currently facing?"



Source: Credit Suisse PropTech Survey 2022 (N = 66)

Figure 6: Measures to enhance interoperability

"What measures can be taken to integrate your product into the customer's value chain in a better/more standardized way?"



Source: Credit Suisse PropTech Survey 2022 (N = 66)

PropTech ecosystems

Ecosystems are on trend among both PropTechs...

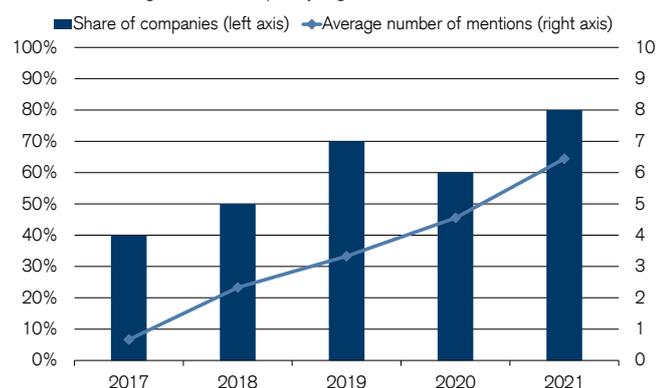
Benefits to customers, scalability and cooperation agreements – these are all key success factors for PropTechs that we identified in last year's Swiss PropTech Report. One thing that these factors have in common is that they are all at the center of what are called ecosystems, a new type of collaboration that is proving increasingly popular – not least on the Swiss real estate market. For example, in last year's study almost 70% of the PropTechs surveyed cited "establishing an ecosystem" as one of the key drivers of cooperation (figure 8). There is also evidence from elsewhere that ecosystems constitute a global trend: in this context, the consultancy McKinsey estimates that ecosystems covering the issue of housing will generate annual revenues totaling USD 3.8 trillion¹ worldwide by 2025. Open, multilateral forms of cooperation in the real estate sector are also gaining traction in Germany². It therefore comes as little surprise that ecosystems such as these have also appeared in Switzerland.

...and their partners

While the concept of business ecosystems has existed for around three decades, it has become increasingly popular in the last few years. It was only recently that the term was more of a curiosity than a business strategy, but it has now become part of the standard repertoire at many large companies, as evidenced by a qualitative analysis of 50 annual reports from the fields of real estate, banking and insurance³ (figure 7). As recently as 2017, the term was used rarely and in less than half of annual reports. By 2021, it was however cropping up far more frequently and appeared in the annual reports of a striking eight out of ten of the companies analyzed. This trend is also visible in academia, with use of the term "ecosystem" increasing by a multiple of 7 in specialist publications on business strategy between 2013 and 2018⁴.

Figure 7: Frequency of the term "ecosystem" in annual reports

Share of companies that have used the term at least once in their annual report (left axis) and its average absolute frequency (right axis)

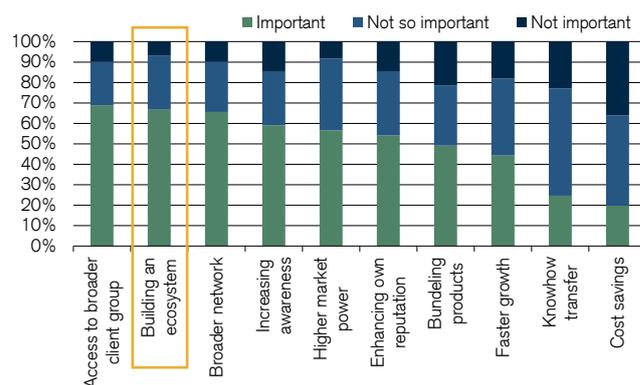


Source: Credit Suisse

Last data point: 2021

Figure 8: Drivers of collaboration with PropTechs

"What are the drivers of cooperation with other PropTechs?"



Source: Credit Suisse PropTech Survey 2021 (N = 61)

One term – many meanings

But what exactly is meant by an "ecosystem"? Although it is now almost considered as a buzzword, the term actually originated in management and organizational theory. It refers to a form of interdependence between various market participants. Similar to an ecosystem in biology, it describes a group of individuals (companies)⁵ that are independent of one another, work together and in some cases are also in competition with each other. The literature makes reference to three thematic areas: innovation ecosystems (which involve developing new products), business ecosystems (which involve an enterprise and its environment) and platform ecosystems (which relate to the organization of various enterprises on one or more platforms)^{6,7}.

¹ Dietz, M.; Hamvai, R.; Jenkins, P.; Radnai M. and Yee, M. (2018): Deep Insights, Broad Solutions: How Banks Can Win in the Vast Housing Ecosystem.

² Deloitte and Zentraler Immobilien Ausschuss e.V. (2021): Ecosystems in der Immobilienwirtschaft

³ The data are based on the annual reports of ten major Swiss companies in the real estate, insurance and banking sectors over a period of five years.

⁴ Jacobides, M. G.; Cennamo, C.; and Gawer, A. (2018): Towards a Theory of Ecosystems. Strategic Management Journal, 39(8)

⁵ Moore, J. F. (1993). Predators and Prey: A New Ecology of Competition. Harvard Business Review, 71(3), 75 – 86.

⁶ Jacobides, M. G.; Cennamo, C. and Gawer, A. (2018): Towards a Theory of Ecosystems. Strategic Management Journal, 39(8).

⁷ Furthermore, an ecosystem can also encompass an industry in its entirety and its intersection with other industries and stakeholders.

Definition of an ecosystem

In the context of our PropTech study, we define an ecosystem as follows:

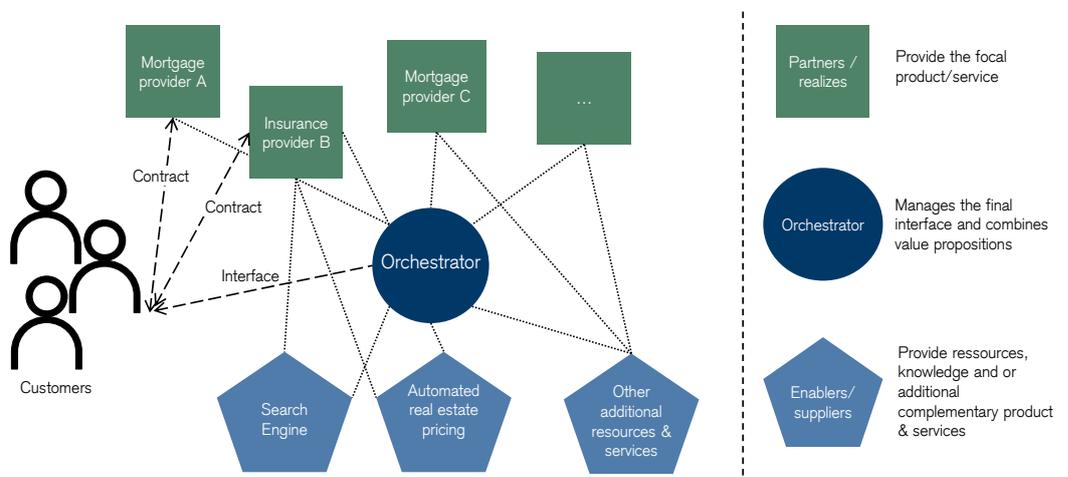
a not strictly hierarchical collaboration amongst different market participants that, through a set of shared value chains (value network), provides more value to the customer than the sum of the individual value propositions.

Value chain becomes a value network

While traditional, linear value chains are divided up into suppliers and producers, the distribution of roles in an ecosystem is more complex. Ecosystems do not usually consist of one-dimensional, one-to-many relationships, but tend to involve multi-dimensional business models featuring many-to-many relationships. This is the fundamental difference that sets them apart from linear business model approaches based on one-to-many relationships. In ecosystems, the structure often consists of several suppliers on the one hand, and several customers on the other.

Figure 9: Example of an ecosystem in the real estate sector

Distribution of roles and structure of an exemplary ecosystem, based on qualitative observations of existing ecosystems and their classification into the roles proposed by academic literature



Source: Credit Suisse

Distribution of roles varies in ecosystems

Like the definition of the term “ecosystem”, there are many different ways of classifying these roles. Based on existing role distributions^{8,9,10}, we will focus on the following categories (figure 9): the “orchestrator” is responsible for the interplay between the individual participants and the customer interface. The “realizers” or partners are responsible for offering the actual product. In a real estate setting, this could be a mortgage, insurance policy or a rental agreement. The “enablers” constitute the driving force behind the whole network. Enablers not only provide resources, but also – and more importantly – central elements of the customer benefit, such as an easy-to-use real estate valuation algorithm, a cleverly designed search function or a modern dashboard. The idea is to provide seamless support to clients throughout their customer journey. This is based on a business model of retaining end customers by providing maximum convenience, while participating in – or ideally monopolizing – the customer interface. The larger and more sophisticated the ecosystem, the greater the convenience factor and the more difficult it becomes for consumers to change providers.

Ecosystem jungle

It is difficult to classify the elements of Swiss real estate ecosystems precisely according to the roles defined above (table 1). This is because individual players assume various roles within the same ecosystem, while some PropTechs form part of several ecosystems. Moreover, platforms such as Liiva or Houzy can also be considered as ecosystems in their own right – i.e., as an ecosystem within an ecosystem.

⁸ Shipilov, A. and Burelli, F. (2021): What Makes Business Ecosystems Succeed? INSEAD blog

⁹ Pidun, U.; Reeves, M. and Zoletnik, B. (2021): How Do You Succeed as a Business Ecosystem Contributor?

¹⁰ Kawohl, J. and Krechting, D. (2020): The 3 Roles of the Ecosystem Strategy Map.

Table 1: Overview of Swiss real estate ecosystems

Classification of Swiss ecosystems and other collaborations

Name	Orchestrator	Realizer/partner	Enabler/supplier
Allthings	Allthings	Various PropTechs*	
Avobis	Avobis	Estate agents, financing partners	Property Captain, Rimaplan, Centerio, Verit
Flatfox	Flatfox	Real estate companies (landlords)	Various rent deposit insurance suppliers, Hypothekarbank Lenzburg, Skribble, Welte Furrer
Home	Helvetia	Helvetia (insurance solutions), MoneyPark (mortgage broker)	Price Hubble, Immoledo
Home & Living ¹	Baloise & UBS	UBS, Baloise (as financial service providers) MoneyPark (mortgage broker)	Houzy, Devis, MOVU, Bubble Box, Batmaid, homegate ²
Houzy ³	Houzy (Baloise & UBS)	Estate agents, tradesmen and other service providers for property ownership and home living*	
Impulse (Swiss Life)	Swiss Life	Swiss Life/Swiss Life Lab	Various PropTechs in which Swiss Life Lab holds participations ⁴
Livit	Livit	Livit as property manager, various partners from the energy, information and communication technology (ICT) sectors, facility management, home appliance providers, tradesmen*	
Liiva ⁵	Liiva (Mobiliar & Raiffeisen)	Estate agents, finance partners	IAZI, Zühlke, Bytamic Solutions
Mieten Kaufen Wohnen	Mobiliar & Raiffeisen	Mobiliar (insurance solutions), Raiffeisen (banking services)	IAZI, Liiva, Flatfox, Aroov (part of Flatfox), Buildigo, Lizzy, SwissCaution, Credit Exchange
Newhome	Newhome	Various cantonal banks, real estate providers	Emonitor, Fahrländer Partner, Wüest Partner, dealtech, guidle, CreditTrust
Partnership between Credit Suisse, MoneyPark and Price Hubble ⁶	Credit Suisse	Credit Suisse, MoneyPark	Price Hubble
Swiss Marketplace Group (SMG) ⁷	SMG	Marketplaces of SMG and providers on these marketplaces	Casasoft, Publimmo, IAZI
Valuu	Postfinance	Estate agents, mortgage brokers and financial service providers	-

This list should not be considered exhaustive. It is intended to provide an overview of the Swiss ecosystem landscape in the real estate services sector and is based on publicly available information. Both established and partial ecosystems are included. Due to the dynamic nature of the PropTech market, shareholdings, participations in ecosystems and other collaborations are constantly changing (last update May 2022).

¹ Combines two ecosystems: key4 of UBS and Home of Baloise.

² Owned by SMG, but has a partnership with UBS for key4.

³ Element of the strategic partnership between UBS and Baloise. This forms part of the Home & Living ecosystem, but is also an ecosystem in its own right.

⁴ Active cooperation agreements involving Swiss Life Lab are no longer evident, but Impulse remains a fixed component of Swiss Life's offering.

⁵ The Liiva ecosystem is based on a strategic partnership between Mobiliar and Raiffeisen and itself forms part of Mobiliar's Mieten Kaufen Wohnen ecosystem.

⁶ Strategic collaboration since November 2021, but not in a defined ecosystem.

⁷ Launched by TX Group AG, Ringier AG, Mobiliar and General Atlantic.

*No distinction between realizers and enablers as a wide variety of services can be considered the main product in this case.

Source: AWK¹¹, IFZ¹², proptechnews.ch¹³, Swiss PropTech¹⁴, Mobiliar¹⁵, Credit Suisse

PropTechs consider themselves part of ecosystems

Where do PropTechs see themselves within this ecosystem jungle? We asked this question in the 2022 survey. 46% of the PropTechs surveyed say that they already belong to an established ecosystem, while an additional 26% are part of an emerging ecosystem (figure 10). Meanwhile, some 28% of PropTechs plan to be part of an ecosystem in future. None of the PropTechs categorically rule out participating in an ecosystem. They are all keen to belong to one, even though the term "real estate economy ecosystem" is still at an early stage of its development¹⁶. The existing ecosystems are correspondingly diverse. The authors of the IFZ Sourcing Study 2021¹⁷ have made similar observations, with 50% of the Swiss banks surveyed stating that they already have or plan to have a functioning ecosystem, while 48% of the sourcing providers surveyed¹⁸ replied that they are working on implementing an ecosystem in cooperation with a bank.

Distribution of roles remains unclear

Three out of ten PropTechs surveyed see themselves as taking the role of an orchestrator (figure 11). The fact that orchestrators primarily consist of PropTechs in the growth and scaling phase is a clear reflection of their ambitions at this stage. As far as enablers and realizers are concerned, the distribution of roles varies significantly for PropTechs. Participants in an existing ecosystem most often (44%) consider themselves enablers, while a large proportion (44%) of the

¹¹ Dorfmaier, H.; Hauk, M. and Keel, T (2021): Ökosysteme als Selbstläufer für zukünftiges Wachstum?

¹² Blattmann, U.; Buschor, F.; Leuenberger, M and Leutenegger, A. (2021): IFZ Sourcing Studie 2021

¹³ Schwyter, H. M. (proptechnews.ch, 2021): PropTech Plattformen für Versicherungen

¹⁴ Swiss PropTech (2022): SwissPropTech interview with SMG Swiss Marketplace Group

¹⁵ Mobiliar (2020): Annual report 2019

¹⁶ Deloitte and Zentraler Immobilien Ausschuss e.V. (2021): Ecosystems in der Immobilienwirtschaft

¹⁷ Blattmann, U.; Buschor, F.; Leuenberger, M and Leutenegger, A. (2021): IFZ Sourcing Studie 2021

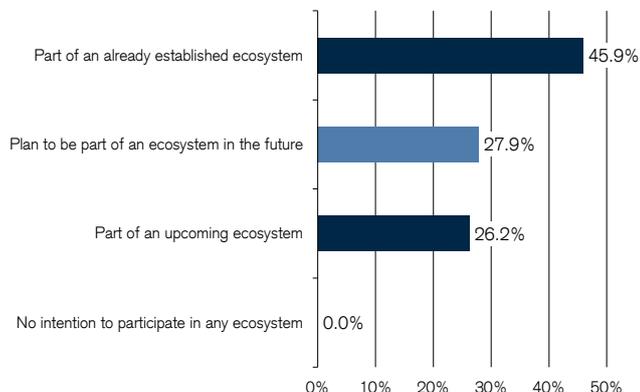
¹⁸ Companies that provide services to banks, often in technology sectors such as FinTech or PropTech

PropTechs that plan to become part of an ecosystem in future are aiming to achieve the role of realizer. This flexible understanding of roles amongst PropTechs demonstrates the considerable complexity of this type of value network and the changing distribution of roles that it entails. At the same time, it also reflects the companies' aim of gaining proximity to customers, which is considered more lucrative.

Figure 10: PropTechs as a part of ecosystems

"To what extent are you part of an ecosystem?"

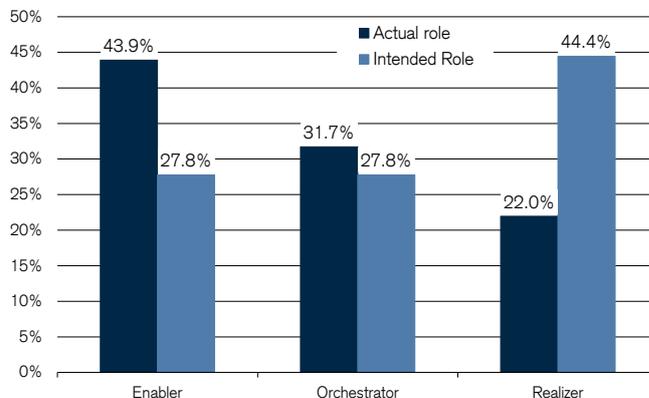
*The participants were shown the definition provided in the box on page 9.



Source: Credit Suisse PropTech Survey 2022 (N = 61)

Figure 11: Distribution of roles within ecosystems

"What role does your PropTech play in the ecosystem it belongs to? If you were part of an ecosystem, where would you see your PropTech's role?"



Source: Credit Suisse PropTech Survey 2022 (N = 58)

Relevance of ecosystems to PropTechs

Besides the subject of participating in ecosystems, we asked the PropTechs about their opinions on the associated risk/reward potential (figure 12). PropTechs clearly see more rewards than risks in an ecosystem, as the average score they awarded for the opportunities provided by ecosystems was 7.6 points on a scale of 1 to 10, while risks were considered moderate to low at a score of 3.4. The importance of ecosystems received an average score of 6.8 out of 10 points.

Value creation and sales at the forefront

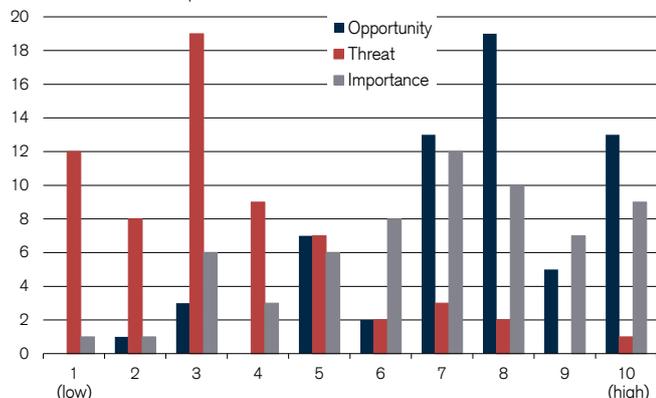
As in the previous question on the reasons for entering into cooperation agreements (see page 8), the respondents cite sales-related considerations as the main motivation for participating in an ecosystem (figure 13). Some 60% of PropTechs consider both the extension of their own value chain and higher sales as the most important drivers. One in two PropTechs also sees the increased level of recognition as a major advantage. Meanwhile, synergy effects and access to better infrastructure are deemed less important. Protection from competitors also plays a subordinate role. Two of the participating PropTechs specifically highlighted the added value to customers under the "Other" category. This is entirely justified as it is the key success factor for PropTechs¹⁹. For its part, increased usefulness to customers translates to higher sales, greater value added and heightened popularity.

Figure 12: PropTechs' opinions on ecosystems

"Do you see the formation of large ecosystems as an opportunity and/or as a threat?"

"How important is it to be part of an ecosystem in order to sell your products?"

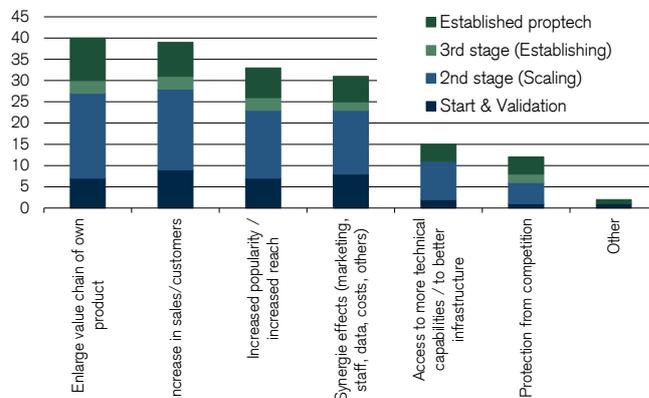
Absolute number of responses



Source: Credit Suisse PropTech Survey 2022 (N = 63)

Figure 13: Advantages of ecosystems

"In your view, what is the main advantage of being part of an ecosystem?" Multiple answers possible, absolute number of responses



Source: Credit Suisse PropTech Survey 2022 (N = 66)

¹⁹ Credit Suisse Swiss PropTech Survey 2021

Ecosystems: a blessing or curse?

Ecosystems generate significant interest amongst PropTechs, established real estate companies, insurance firms and banks. However, they also pose risks. While it may well be worthwhile for individual companies to participate in an ecosystem, success is not guaranteed. A study by the BCG Henderson Institute²⁰ estimates that the long-term survival rate for ecosystems is as low as 15%. However, this figure is not wholly transferable to the Swiss PropTech market. Moreover, the study shows that the rise of ecosystems can lead to a “winner-takes-all” scenario, with the winners gaining oligopolistic or even monopolistic status. Companies like to aim for monopoly-style profits, which they are more likely to achieve the more market power they have.

Platforms in particular are susceptible to dominant market positions

The example of hotel booking platforms shows how difficult the relationships can be within an ecosystem. On the one hand, the platforms promise hoteliers a significantly broader reach, as the greater the number of hotels a platform lists, the more users it is likely to attract. At the same time, the significant network effects lend more power to the platform operators, which they often exploit to their own advantage. For example, some booking platforms prohibit hotels from offering lower prices for hotel stays on other websites via price-fixing clauses. This enables the platforms to restrict competition and pocket high fees by preventing other platforms from offering cheaper rates. Contractual clauses such as these are now banned in most of Switzerland’s neighboring countries. The Swiss parliament is currently working on a legislative amendment to outlaw narrow price parity clauses. This should ensure that booking platforms no longer have the authority to prevent hotels from offering lower prices on their own websites. However, it is subject of controversial debate as not all parties consider it necessary to tighten anti-trust legislation.

Debate also ongoing in Switzerland

Market dominance or a monopoly significantly restricts the choice of providers and products available to customers. At the same time, this makes it difficult for new companies to penetrate the market, which in turn can inhibit innovation. While the monopoly can skim off the profits, the overall welfare of the market players is impaired. Concerns in this regard are clearly becoming apparent in the Swiss PropTech market. In particular, the merger between the digital marketplaces of TX Markets and Scout24 to form Swiss Marketplace Group has sparked a debate and raised fears about higher advertising fees.

Widespread ambition to achieve lock-in effects

A milder form of monopoly-style profits are lock-in effects. The latter refer to customer dependency on a particular provider, which is achieved by creating high costs or other barriers to changing provider. Switching to another provider becomes too costly or too much effort, causing customers to stick with their current providers even when they, for example, raise prices. Ecosystems aim to increase the benefits to customers to an extent that makes switching as expensive as possible. Apple, for example, pursues this strategy very deliberately and successfully by using its own proprietary operating system that is not easily – or not at all – compatible with the devices of other manufacturers. The lock-in effect is an advantage for the provider as it ensures customer retention. Many companies systematically develop lock-in effects for this reason. However, defining what qualifies as monopoly-style profits and where competition is excluded due to the market dominance of certain companies is no easy task and has become the subject of intense debate. Thus, ecosystems can be a blessing or a curse depending on the individual situation.

²⁰ Reeves, M.; Lotan, H.; Legrand J. and Jacobides M. G (2019): How Business Ecosystems Rise (and Often Fall)

Swiss PropTech Survey 2022: Three PropTech Portraits

Portrait of three participants in the Swiss PropTech Survey 2022

To illustrate the diverse and vibrant PropTech landscape, we give three randomly drawn participants in the PropTech survey the opportunity to introduce themselves.



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