



Part 2 of 2

Transform Your IT for Banking's Digital Revolution

How interconnection can enable digital
advantage: a practical guide

Why Read This E-book?

Interconnection is today's key to enabling innovation, differentiation, security and sustainability.

Our first e-book discussed how digital is revolutionizing the retail banking landscape, how banks must transform their IT infrastructure to keep pace, and the role of interconnection in that process.

This e-book focuses more on specific applications of interconnection in retail banking and how interconnection is playing a crucial role in the four key areas of driving innovation, differentiating the customer experience, enhancing data security and compliance, and improving sustainability.

As well as providing a more granular view of interconnection's role in facilitating those applications, this e-book discusses why Equinix is the ideal partner to enable your digital transformation.

What's in this e-book?

Customers' Banking Expectations Are Changing

If banks can't deliver the digital capabilities that customers expect, they face losing them.

Customers are less loyal towards their banks. Many have accounts with several different financial providers and most are far more willing to shop around and test out new banks to find products, services and customer experiences that better meet their needs. One survey found that as many as 50% of customers are just as likely to open their next account with a new bank as they are with their existing bank¹ and 27% of consumers say they have replaced or considered replacing their traditional banking provider with an online or mobile-only banking provider.²

¹ PwC's 2019 Consumer Digital Banking Survey.

² Customer Experience and the Connectivity Chasm, MuleSoft, 2019.

Customers' Banking Expectations Are Changing Continued

Customers are demanding features that only digitally advanced banks can deliver.

More financial control

Customers want their banks to provide instant access to information so that they can better manage their own finances—any time they need to. One study shows 59% of customers say they want tools that help them monitor their monthly budget, with real time adjustments based on their spending.³

Seamless experiences

As customers move from being served in branch to accessing their finances on the go, they want a more seamless experience. In fact, nine out of 10 consumers say they want “absolute omnichannel service”⁴—wherever they are, whatever device they’re using.

3. 2017 Global Distribution & Marketing Consumer Study, Accenture, 2017.

4. “CX Transformation Benchmark,” NICE inContact, 2018.

5. 2017 Global Distribution & Marketing Consumer Study, Accenture, 2017.

6. The Deloitte Center for Financial Services Privacy Survey, 2020.

7. Green Mortgages Autumn Report, IMLA 2020.

Real time personalization

Customers—54% of them in one study—want more innovative, real time personalized offerings and services relevant to their specific banking needs and location.⁵

Guaranteed protection

Customers want peace of mind and confidence that the personal data they share will be kept safe and secure. Overwhelmingly, 71% of customers say financial services firms need new consumer privacy regulations and protections.⁶

Sustainable practices and products

Customers want banks to operate in more sustainable and ethical ways and offer more innovative, sustainable products and services—already, 57% of lenders say they plan to launch a green mortgage offering after the current Coronavirus pandemic.⁷

Overcoming the Constraints to Digital Enablement

Retail banks need a flexible and dynamic IT infrastructure to advance their digital capabilities.

Consumers increasingly expect banks to offer the convenience and simplicity that technology brings to other aspects of their lives. To achieve the level of digital enablement that banks require, they need a flexible IT architecture that supports new digital capabilities, as well as the security and resilience to protect growing customer data volumes.

Traditional centralized legacy IT systems hamper digital transformation. They're poor at integrating new technologies to support new offerings. They can't gather real time customer insights to drive innovation, and insecure storage creates security vulnerabilities.

There is a way to overcome these constraints.

A compelling and very achievable solution is moving to a distributed architecture based on interconnection and software-defined networking. The next pages consider specific applications of interconnection and how it helps banks transition to flexible, distributed IT architectures to support their enhanced digital capabilities.



Interconnection in Action

Today's most successful retail banks are building competitive advantage through interconnection.

Through dynamic, on-demand interconnection services, banks are able to connect directly and dynamically to anyone, on one global platform—giving them capability to scale their digital platforms. Demand for interconnection services is growing rapidly. Interconnection bandwidth for banking and insurance enterprises alone is already forecast to grow at a compound annual growth rate of 38% between 2019–2023.⁸

Securing a place as the 'future bank' for your customers rests on seizing the initiative in today's digital revolution. There are four areas in which interconnection can help banks transform their digital capabilities to meet customer demands.

**Click on the use cases below to
see how interconnection can:**

8. The Global Interconnection Index (Gxi) Volume 4, Equinix, 2020.

Drive Innovation with Better Access to New Technology

Innovation is increasingly important in attracting new customers.

Fierce competition from challenger banks offering cheaper and more convenient services via online platforms, is putting traditional retail banks under increasing pressure to innovate and find new revenue streams. Over 55% of customers actively seek to buy from businesses that consistently introduce new products and services based on their needs and the capabilities of new technology.⁹

40.5%

The compound annual growth rate (CAGR) that challenger banks across Europe are set to grow between 2016-2025.¹⁰

9. State of Customer Experience, Salesforce.

10. Challenger Banks in Europe - Growth, Trends, Mordor Intelligence, 2020.

Drive Innovation with Better Access to New Technology Continued

Banks need flexible IT that delivers real time insights to enable innovation.

To protect their market position, banks need the ability to gather and act on real time customer insights to drive innovation and reduce time to market. They also need to take advantage of new digital technologies such as blockchain, IoT and AI to develop new products and experiences.

However, most established banks' capability for innovation is constrained by their inflexible, centralized IT architectures, which keeps data in silos, limits timely collaboration with partners and slows the deployment of new technology.

Interconnection provides the IT flexibility needed to drive innovation. Enabling banks to:

Improve collaboration and real time information sharing to drive faster innovation. By distributing core IT infrastructure to the network edge, interconnection brings banks closer to partners, to improve collaboration and reduce time to market for new products.

Harvest and process customer data where it is generated to accelerate innovation. Interconnection means data and analytics can be located closer to customers so banks can gain real time intelligence of changing customer needs.

Access new technologies required for innovation.

Equinix interconnection hubs give banks access to an ecosystem of cloud, network and SaaS providers and on-demand access to IT resources and applications, to offer new digital capabilities.

Enhance the Quality of Digital Experiences with Improved Latency and Scalability

More personalized and seamless digital experiences are crucial for customers.

The inherently mobile nature of customers means that they require access to banking services, from anywhere, at any time. As a result, customers increasingly expect self-service experiences to be delivered seamlessly across devices and locations, as well as more convenient, instant interactions—for example, solving queries through chatbots vs. time-demanding call-centers.

On top of this, banks are faced with the need to meet customers' growing appetite for more personalized offers, products and interactions, which are relevant to their specific banking needs and location.

Failure to deliver this more personalized and seamless experience puts banks at significant risk of losing out to more able digital-first competitors.

57%

of consumers said they would consider changing financial services providers due to a disconnected experience.¹¹

¹¹. Customer Experience and the Connectivity Chasm, MuleSoft, 2019.

Enhance the Quality of Digital Experiences with Improved Latency and Scalability Continued

Centralized IT architectures limit the quality of digital experiences.

Serving a highly dispersed customer base that demands more seamless and personalized digital experiences, requires banks to have timely access to services from anywhere in the world. However, with legacy IT architectures that many banks operate, then data and systems are centralized.

Centralized IT can't cope with peaks and limits the ability of banks to scale quickly to respond to changes in digital demand. This results in overloaded networks and the inability to access the tools and systems needed to deliver customer experiences at scale. Integrating new technologies alongside current legacy systems can also be a challenge. All of which ultimately results in the poor quality of digital experiences offered to customers.

Interconnection offers significantly reduced latency, faster scaling and seamless delivery across locations. Enabling banks to:

Deliver high-quality user experiences and real time personalized offerings. The ability to locate IT resources in regional interconnection hubs closer to customers, allows banks to reduce latency by a minimum of 30%.¹²

Optimize digital performance as demand grows. Utilizing SDN eliminates traditional NSP provisioning delays, enabling faster network configuration and scaling to match demand and maintain optimal performance and consistent customer experiences.

Offer seamless digital experiences wherever customers are located. On-demand access to cloud providers enables seamless experiences for customers, regardless of where they are located.

12. "Total Economic Impact™ Study," Forrester, Commissioned by Equinix, April 2019.

Enhance Data Security and Compliance Through Secure Information Exchange

As the volume of data grows, banks must protect against the growing threat of data breaches.

Many high-profile security breaches across the financial sector have led to growing customer concerns in the ability of banks to protect their sensitive data. As banks become more digital and the volume of data being generated grows, this increases their exposure to cyberattacks. As a result, to protect customers, regulators are imposing greater demands on banks to comply with increasingly stringent rules.

79%

of banking/insurance customers said they are alert to, and cautious about, data privacy issues.¹³

¹³. 2019 Global Financial Services Consumer Study, Accenture.

Enhance Data Security and Compliance Through Secure Information Exchange Continued

Centralized IT architectures can't provide the visibility or control that banks need.

Often operating across dispersed locations, retail banks need to be able to exchange data safely and securely across the organisation, as well as being able to easily locate and share data to comply with data sovereignty regulations across regions.

However, traditional architectures can't support the secure exchange and storage of customer data. This leads to data silos which makes the sharing of compliance information across dispersed locations unreliable and slow—putting banks at risk of reputational damage, excessive fines, and wider business disruption. As many as 42% of global banking executives have said that legacy banking systems have led to the risk of regulatory non-compliance.¹⁴

Interconnection brings data together on one global platform, to achieve greater security and compliance. Enabling banks to:

Ensure secure communication and information exchange within the business and with ecosystem partners. Equinix International Business Exchange™ (IBX®) data centers serve as the interconnection hubs that allow secure and scalable data exchange. Using IBX data centers also enables direct, private access to cloud platforms and SaaS providers within Platform Equinix®.

Improve compliance with data sovereignty regulations across jurisdictions. Interconnection provides one global platform for locating and sharing data across regions.

14. Capgemini Financial Services Analysis, 2020 COVID-19 Customer Survey.

Improve Sustainability with Better Data Visibility

Banks must evolve to meet growing demand for greater sustainability.

Customers, investors and employees are all increasingly concerned about climate change and are putting pressure on organisations to demonstrate their carbon reduction efforts and to improve the range of sustainable products on offer. Banks are no exception to this. Demand is growing for sustainable banking products such as green mortgages and green loans.

Traditional banks are facing increased pressure from more innovative, digital new market entrants that already operate more sustainably—for example, providing customers with online digital statements instead of paper.

40,000

The number of active users that recently launched German climate change focused neo-bank, Tomorrow, already has.¹⁵

¹⁵ Fintech Analysis New Wave of Challenger Banks. Sifted, 2020.

Improve Sustainability with Better Data Visibility Continued

Traditional, centralized IT architectures are obstructing improvements.

To support the development of greener products and services, retail banks need the ability to collect data on customer behavior and preferences. As well as this, banks must ensure that they are being more sustainable within their own operations and need the ability to gather data from across the organization to support sustainability reporting and greater transparency.

However, centralized IT results in data silos, preventing the visibility and sharing of real time business information. Legacy IT systems rely on older data centers that are often associated with higher carbon footprints—making it difficult or impossible to meet the sustainability demands of different stakeholders.

Interconnection enables better reporting, improved insight to support new product development and reduced carbon footprint. Enabling banks to:

Collect and share real time sustainability data across the business.

A single, global platform enables integrated reporting and increased transparency across the business, to better meet stakeholders' needs.

Gain the real time customer insights necessary to drive development of new sustainable products.

By locating data and analytics at the digital edge, banks can get closer to the source where customer insights are generated.

Reduce IT carbon footprint. Equinix is the first data center company to commit to supplying 100% clean and renewable energy. With data centers meeting the highest standards of environmental performance, utilizing them as interconnection hubs helps banks achieve their carbon reduction goals.

Equinix: Your Partner for Digital Transformation

Equinix is the world's digital infrastructure company. Digital leaders in every sector harness our trusted platform to bring together and interconnect the foundational infrastructure that powers their success. They enjoy the advantages of our:

Global data center footprint:

The Equinix network of 220+ International Business Exchange™ (IBX®) data centers across five continents provides a global footprint to support dispersed banking operations.

Secure, scalable data exchange:

Equinix IBX data centers serve as the interconnection hubs that allow secure and scalable data exchange between banks, their partners and their customers in controlled environments—reducing the costs and risks of transferring data over large physical distances.

Direct access to IT providers:

Platform Equinix provides direct access to an ecosystem of 2,900+ cloud, network and SaaS providers via secure, private, high-bandwidth connections.

Dynamic interconnection: Equinix Fabric™

Securely and dynamically connects distributed infrastructure and digital ecosystems on Platform Equinix via global, software-defined networking and interconnection, enabling banks to optimize their networks and accelerate the deployment of new resources.

Rapid, digital edge deployments:

Network Edge allows virtual network services to be deployed to new digital edge locations—closest to banks' customers, users, clouds and networks—in minutes, and without capital investment.

Take the Next Steps on Your Digital Transformation Journey

Equinix is ideally placed to help your bank accelerate its digital transformation by putting in place the all-important foundation—a more dynamic and flexible IT infrastructure.

Ready to accelerate your bank's digital transformation?

To discover the drivers of retail banking's digital revolution and IT's crucial role in enabling your transformation, download the first e-book of this mini series: 'Building the foundations for digital enablement'.

[Download e-book part 1](#)

Questions?

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