



Part 1 of 2

Transform Your IT for Banking's Digital Revolution

Building the foundations
for digital enablement

Why Read This E-book?

Retail banking's digital revolution is gaining momentum fast.

It is becoming increasingly obvious that maintaining the status quo is no longer an option if banks are to stay competitive. Some banks have already embraced the need for change and made big strides, while others are just starting out. All banks must accelerate their digital transformation or they risk being left behind.

This first of two e-books reviews the compelling case for digital change and the crucial role interconnection has in that process. Whatever stage your bank is at, it's worth reminding yourself of the fundamental issue at stake—your bank's continued competitiveness. The second e-book focuses more on specific applications in retail banking—how interconnection can help in the four key areas of innovation, sustainability, data security and compliance, and differentiating the customer experience.

We hope that together, these resources will help you transform your IT for banking's digital revolution.

What's in this e-book?

The Crucial Role of Digital Enablement

Digital enablement is a top priority.

The digital revolution is creating numerous social, economic and industry-related challenges, making it more important than ever for banks to transform their digital capabilities.

Customer expectations are ballooning

Customers, and particularly younger customers, have new needs and growing expectations around highly personalized customer experiences. Banks must find new ways to offer more innovative ideas, products and services to meet these needs.

Competition is getting fierce

New, digital-led entrants are engaging customers and winning loyalty, piling pressure on established banks to innovate and find new revenue streams.

1. "Financial Providers: Transforming Distribution Models for the Evolving Consumer," 2017 Global Distribution & Marketing Consumer Study, Accenture, 2017.

2. "Star Shifting: Rapid Evolution Required," Accenture, 2018.

54%

of consumers want specific, location-based offers in real time and 44% want their banks to send information about services exactly as their need arises¹

20%

of Europe's banking/payments institutions are new entrants, capturing nearly 7% of total banking revenue²

The Crucial Role of Digital Enablement Continued

Sustainability is a growing concern

Increasing pressure from regulators, conscious consumers and the rise of ESG-focused investors is driving banks to operate more sustainably and ethically. Unless banks can find ways to improve their credentials, they are at significant risk of damaging their reputation and attractiveness.

Customer behaviors are changing

With the global pandemic forcing the closure of many bricks-and-mortar branches, retail banks are having to serve customers remotely. This has created an appetite for a more convenient self-service and always-on banking model and changed retail banking irrevocably. Banks need to offer more digital interactions or risk losing customers.

3. "2020 Global Bank Regulatory Outlook," EY, 2020.

4. "The World Branch Report 2019," The Financial Brand, 2019.

52%

of banks view environmental and climate change as a key emerging risk over the next five years, up from 37% a year ago³

88%

of consumer-bank interactions are predicted to happen through smartphones by 2022, and 90% of banking interactions will take place via chatbots⁴

Digital Transformation Must Be Accelerated

The forces driving the demand for digital transformation aren't going away. Pressures from customers, suppliers and competitors will continue to mount. The question is not if or when, but how quickly banks can make a digital transformation to secure their place in the market.

Accelerated transformation must be balanced with greater resilience

While banks must embrace digital transformation to protect their market position, they are also facing increasingly stringent regulation and a constant threat from data breaches and cyberattacks.

As digital transformation rolls out, and digital interactions increase, so too does the volume of data and the security risks.

Banks must match their transformation with greater resilience to safeguard themselves against the threat of breaches and regulatory non-compliance. Failure to do so can result in significant fines and reputational damage.

5. "Open banking investments in the UK," Tink, 2019.

6. "Modern Bank Heists 3.0," VMware Carbon Black, May 2020.

39%

of financial executives name regulation as the overall biggest threat to their current business⁵

238%

increase in cyberattacks against the financial sector in the three months February to April 2020 alone⁶

Transforming to a Digitally Enabled Bank

Flexible IT provides the foundations
for digital transformation.

A flexible and dynamic IT infrastructure is a common feature of all of today's digitally enabled banks. It is what lets banks innovate at such speed and deliver new digital experiences, while maintaining the necessary resilience and security.

Flexible IT enables banks to:

Collect customer insights in real time

Providing better understanding of changing customer demands, to enable faster innovation and more personalized products and experiences.

Quickly implement new digital technologies

Integrating new technologies such as AI, ML and IoT, to support the development of differentiated, seamless digital experiences.

Exchange information securely and reliably

Minimizing the risk of cyberattacks and improving access to information for regulatory reporting, to reduce the risk of reputational damage and fines.

Reduce the carbon footprint of IT

Supporting the organization's sustainability practices and CSR goals to meet the needs of different stakeholder groups.

Digital Transformation's Handbrake: Legacy IT

Inflexible, centralized legacy IT hampers transformation.

While growing numbers of banks accept the need for transformation and have already embarked on the journey, most are still operating at least some legacy IT infrastructure. Typically, legacy IT infrastructure is too inflexible and centralized to support the scale and speed of digital transformation that retail banks need today.

How Legacy IT Slows Down Digital Transformation

The wider business implications of legacy IT on retail banks is significant.

Inability to gather real time customer data

Legacy systems lock data in silos, hampering the understanding of customers' needs and the ability to respond quickly. It's one reason only 6% of banks believe they're able to provide highly personalized outreach.⁷

Constrained collaboration with dispersed teams

Restricted communication limits the ability to innovate and get to market quickly to prevent more agile entrants from getting established. The infrequent release of new products is attributed to legacy IT systems by 43% of global banking executives.⁸

Hampered integration of digital technology

Poor integration of new technologies such as AI or ML limits the ability to generate new revenue streams, deliver new products and engage with customers in new ways.

Poor digital experiences for customers

Legacy IT delivers disjointed digital experiences with geographic limits, resulting in dissatisfied users, especially as omnichannel service and seamless experiences across communication methods are expected by 9 in 10 consumers.⁹

7. "Innovation in Retail Banking," Efma and Infosys Finacle, October 2018.

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

9. "CX Transformation Benchmark," NICE inContact, 2018.

How Legacy IT Slows Down Digital Transformation Continued

The wider business implications of legacy IT on retail banks is significant.

Restricted gathering of compliance information

Legacy IT has only limited ability to gather the reliable communications and data that regulators demand. That increases the risk of fines, breaches and reputational damage. Over 42% of global bankers say legacy banking systems create regulatory risk.¹⁰

Overloaded networks

Inflexible legacy IT limits your ability to quickly scale up and down, creating overloads that reduce access to tools and business systems, affect connectivity with customers and ecosystem partners, and impacts on your market responsiveness.

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

11. "CIO Survey," Couchbase, 2018.

Limited secure customer data exchange

The less-than-secure data exchange typical of legacy IT creates risks for reputational damage, business disruption, data breach and ransom costs.

Inefficient, environmentally unfriendly data centers

Legacy IT systems have an unnecessarily big carbon footprint that can handicap your efforts to meet society's growing demands for more sustainable practices.

Excessive costs

Running legacy IT reduces budgetary headroom for digital transformation and adds unnecessary cost across the business. Nearly 88% of financial services CIOs have had a digital project fail or been reduced in scope due to the costs of updating legacy IT.¹¹

Interconnection: The Key to Accelerating Transformation

How interconnection enables digital transformation

Retail banks can address many of their current IT challenges by using software-defined networking and interconnection services via interconnection hubs, such as those provided by Equinix.

Interconnection enables the transition to a more dynamic, distributed IT architecture. It integrates people, clouds and data, facilitating secure delivery of high-quality digital experiences to customers around the world. Interconnection lets banks achieve the resilience and digital transformation they need to succeed.

How Retail Banks Benefit from Interconnection

Interconnection is the key to the agility, responsiveness and resilience banks must achieve to succeed in the face of the digital revolution.

With interconnection, data and analytics are located closer to customers

Getting closer to customers means customer insights can be received in real time, improving business responsiveness.

Information is exchanged in real time, via interconnection hubs

Real time data exchange improves collaboration across the business and with partners, driving faster product/service innovation.

Interconnection gives access to a cloud/IT ecosystem

Ecosystem access lets you scale and deploy new digital technologies quickly to keep up with new digital market entrants.

IT resources are located closer to customers

Greater IT proximity improves digital experiences for customers, wherever they are.

New technology and platforms can be integrated with mission-critical legacy systems

Being able to integrate new technologies alongside legacy IT minimizes digital transformation disruption and reduces legacy IT migration costs.

Quickly add new network locations and capacity

The ability to add capacity lets you scale quickly to meet changing customer demands and address new challenges and opportunities.

Enables secure, real time data exchange, both internally and externally

Greater security reduces the risk of data breaches that erode consumer confidence.

Information is shared on a single, global platform

Gaining global visibility of audit data to support real time compliance reporting.

About Equinix

The digital revolution is changing the face of retail banking. It has never been more important to be sure you're on top of developments and positioning your business for the future.

Equinix is the world's digital infrastructure company. We're ideally placed to help retail banks like yours meet the challenges of today's digital revolution and transform with a more dynamic, flexible and sustainable IT infrastructure.

Many of the sector's most digitally advanced businesses are trusting our platform to bring together and interconnect the foundational infrastructure that powers their success. We help them access all the right places, partners and possibilities they need to accelerate advantage. With Equinix, your bank can scale with agility, launch digital services more quickly, deliver world-class experiences and multiply its value.

Ready to accelerate your bank's digital transformation?

Discover the power of interconnection in the second e-book of this mini series: 'How interconnection can enable digital advantage: a practical guide'.

[Download e-book part 2](#)

Questions?

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