

Generation Z and the future of banking

Divining the expectations of Generation Z and competing with a slew of new fintech platforms are the tip of the iceberg for today's banks, explains [Equinix](#)'s Eleni Coldrey.

Coldrey, business development director at the data centre giant and the company's lead for financial services, has her finger on the seismic forces reshaping banking as we know it.

Fresh from addressing the Euro Banking Association's Summer School in Dublin in July on the subject of the "invisible payment", Eleni Coldrey is very aware of the challenges facing the traditional banking industry as it grapples with fintech, blockchain, new start-up banks and card issuers and divining the expectations of the emerging Generation Z.

Coldrey makes no bones about the fact that traditional banking is trailing other industries in terms of getting to grips with digital. And the differences – particularly in the eyes of critical millennials and the new cohort that is Gen Z – is pretty stark when it comes to apps and payments.

"Because the mobile apps of banks are being directly compared to social, they kind of have to up their game, be real-time and content-driven," Coldrey explained. "That's a challenge for the banks who are making big investments in their data and API (application programming interface) strategies and cloud.

Equinix's Irish operations emerged from the long-running Irish firm Data Electronics, which was acquired by TelecityGroup in 2011 for €100m. Equinix subsequently acquired TelecityGroup in January 2016 for \$3.8bn, increasing its data centre footprint globally to 202 data centre sites, including four sites in Dublin. The company's key focus is on interconnection traffic, which is tipped to grow to 8,200Tbps (terabits per second) by 2021, according to the company's latest [Global Interconnection Index](#). This reflects a forecast annual growth rate of 48pc, which is double the expected growth rate of global internet traffic.

The hybrid cloud world is particularly within Equinix's remit and Coldrey describes the challenge banks face of moving traditional legacy systems to the cloud in a structured way as "controlled chaos."

"One UK bank I spoke with has 11 silos, including current accounts, mortgage accounts, business banking, retail banking, and getting a singular view of a customer is quite difficult."

The era of open banking

The big game-changer has been the Payment Services Directive 2 (PSD2) which became law across Europe last year, heralding in a new era of open banking enabling third party access to data by app players like Revolut or N26, for example, that while championed by digital advocates no doubt represents a challenge to traditional banking and a long standing ethos of ensuring security and privacy.

It represents both a challenge for banks but also an opportunity for the banks to catch up in the digital race.

“One of the things that PSD2 has brought about is it has forced the hand of banks to have more of a holistic data strategy and a holistic API strategy, so if they are going to have to do it for compliance you might as well get something out of it.

“What I am seeing in the banks is they are creating a data aggregation layer, a horizontal across the vertical silos of products and then once they have that aggregation layer with the API access then they are building the micro services on top that enable things like AI and the creation of new products.

“If they are doing it already with open APIs to enable third party access to that data, they might as well broaden it outside of compliance obligations and do something interesting. The reason it is taking so long is because that's not actually straightforward. How do you aggregate access to data to data that can be distributed across multiple platforms and actually a lot of that data is incomplete for today's purposes. Data has been truncated as it passes through multiple systems, data isn't clean, perhaps it doesn't have all of the seals that you need, so there is a ton of work going on in the background to prepare for the next generation of services.”

Talking about a new generation

Speaking of the next generation of services, forget millennials as the target audience de jour for banks, but it is mobile savvy Generation Z, the generation born after the mid-1990s and who will account for 40pc of consumers in the US alone by 2020.

This is a different generation than those that preceded it. Many grew up as children watching their parents struggle through the recession. They have a different appreciation of money, are experts at squirrelling cash away for festivals or holidays, and place a premium on mobile apps and cards that reward their thrift. They have never known a world without mobile phones or the internet, where information wasn't at their fingertips and care passionately about diversity and causes like saving the planet. They are the generation of Greta Thunberg, the Swedish schoolgirl who began protesting for immediate action around combatting climate change at the age of 15 and who has become a global icon.

For Coldrey, this is a generation that will have a different relationship with money than earlier

generations, a generation that will spend contactlessly rather than handle hard cash or coins. This is a generation that while thrifty in the short term, will need to make sense of their spending and as such data will be key.

But Coldrey believes that basic education around managing finances and budgeting is still missing.

“I think the data available and the technologies that can make sense of it and draw out insights and give advice is incredible. Our generation is still trying to catch up with which apps we should use and then there is the generation who are growing up with it, they know how to find and download and find something else.

“I think to a certain extent the next generations are going to be more savvy. Interestingly, with things like open banking, we all need to be upskilled with security and the protection of our own data, GDPR and PSD2 are handing our data back to us in effect.

“We need some education around how do we save face in the world of digital but I think that will come. This education needs to go into our school systems. Asking what change do you get from a ten pound note, that's not much to my kids who are spending contactless. It needs to be a new kind of education around digital and financial services.”

Coldrey believes there is an opportunity for banks to innovate and be part of this dialogue.

“There are a number of banks that are trying to enter the market at a younger age, clearly with their own profitability in mind and customer generation.

“But what about creating apps for families where you can delegate accounts to children so that they can start saving, even with limited access to spend, and gamification where it can encourage better financial behaviour? I think all of those things are going to be beneficial at an individual level and then a family unit level, that transparency of information is really empowering.”

But generationally a shift is happening. “I have friends who still track their finances across spreadsheets and have these mental accounting pots, and then there is an app that will do that for you.”

Pictured: Eleni Coldrey, Equinix EMEA lead for innovation in financial services. Image: Equinix

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