Financial services companies in SA must be ready for the rise of digital natives

By Ria Pinto   25 Jul 2022

As Covid-19 drove the acceleration of technology adoption and innovation across the continent - it also drove the spotlight on a new, first-of-its-kind dominant consumer - the digital native - who will bring forward a new "currency" upon which businesses will be measured: digital trust.

Ria Pinto | image supplied

As digital natives increasingly account for Africa's consuming class, their demand for instant gratification and a constant frictionless digital experience will set precedent for consumers' expectations from businesses in the coming years. The question at hand is, are businesses prepared for this newfound customer base?

In South Africa, we're seeing the banking sector shaped by the entry of digital players and a changing consumer base which is leading to unprecedented levels of innovation. With increasing customer demand for digitally native transactions comes the hybridising of financial services with technology. In the past year alone there has been a significant uptick in competition as we witnessed the launch of three major branchless, digital banks focused on innovation, digital transformation and improving the customer experience

To deliver a truly frictionless experiences, embedded in trust - financial services must be agile, resilient, and secure. And to do this, they must both embrace the power of cloud but also measure their approach to this journey. Mission-critical workloads, along with the massive troves of data moving through a financial institutions' environment at any given time, require exceptional computing power and scale, and co-existence of compliance with innovation.

Many may be skeptical about compliance and innovation co-existing in a heavily regulated industry, but they can in fact propel each other when leaning into an open hybrid cloud strategy. Whether or not financial services get this right will determine if they're able to earn and maintain Digital Natives' trust and protect their competitive advantage over the next decade and beyond.

Here are key tenets the financial services industry must adopt to win over the digital native:

Keeping your data all in one place is not key to success

Not all data is created equal, and therefore not all data requires the same level of control and oversight. Organisations must determine what data should remain on-premises and which should migrate to the cloud – and why.

Currently, only 10% of banking institutions' workloads have moved to the cloud globally, unnecessarily hampering their customer experience trajectory and overall business growth. When the right workloads reside in the right environment, businesses can see very powerful outcomes.

Financial services organisations need a strong foundation to propel them into the future, in the form of a Modernised core architecture. One that is "liberated" from old heritages and reinvented through today's mainframes built on real-time speed, security, and nimbleness. A foundation that will accommodate trillions of digital transactions without increased latency, critical for tasks like enterprise AI.

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By coupling on-premises innovations with a hybrid cloud approach, financial services institutions can reap up to 5x more value than public cloud alone.

Vendor diversity breeds secure innovation

While a dwindling school of thought promotes a single vendor approach as one of ease and control, it is in fact costly, constricting, and complex, unable to meet the demands of a Digital Native customer. In fact, a recent IBM study, 77% of financial services organisations surveyed in South Africa, saw vendor lock-in as a significant obstacle in improving their business performance.

If an organisation operates with proprietary shackles, in the form of silos and constraints imposed by technology providers, it cannot thrive. It cannot adapt and invent on its own terms, but instead is required to do so within the parameters set by its technology partners.

For a business to be agile it must rely on an interoperable foundation – it must be diverse. This environment cannot be found solely on-premise or in clouds, but rather at the intersection of these two worlds. Where the melding of diverse infrastructures, technologies, and applications can meet an organisation's competitive objectives securely.

Security and privacy elicit trust

Diversity is also the connective tissue between innovation, compliance, and security. An environment that is diverse and open is one where governance and regulatory compliance can be a central design element and businesses can manage

customer data without needing to move it. One where security and compliance controls can be built-in at the core to seamlessly adhere to regulatory requirements. The ability for governance and compliance tools to run across multiple clouds is imperative to the success of financial institutions.

Furthermore, when siloes aren't present to create walls, then security, too, can be wide-reaching, offering not only visibility into suspicious network activity but also a speedy response to threats through AI. Privacy also can be bolstered with confidential computing, a technology designed in a way that data cannot be tampered with and can only be accessed by the data owner – not even the cloud provider can access.

These three tenets are the foundation for financial institutions to win over digital natives. Should the industry maintain a monocular approach to its digital journey, it will largely stay anchored in place. It may be able to modernize to keep up, but it won't innovate to thrive. Meeting the demands of tomorrow's consumer requires financial institutions to adopt the best of both worlds – on-premises and cloud. Neither can deliver the new currency of digital trust alone.

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