

Data Centres

Fintech

**Key drivers of demand
& adoption among UK
Fintech SMBs**

2021 TBT Marketing

Contents

Executive introduction ³

Methodology ⁴

Choosing a data centre ⁶

Data centre usage ¹⁰

Sustainability ¹²

Cashless society ¹⁵

Growth opportunities ¹⁷

“

The financial services industry is undergoing an unprecedented digital transformation with emerging technologies and regulations giving rise to new opportunities and significant risks. The Covid-19 pandemic has sped up changes in spending habits and further accelerated the move to a cashless society. A recent Finance study found a 35% drop in cash transactions in 2020. Only one in six payments are now made in cash compared with half of all transactions a decade ago. ”

Executive introduction

As businesses and consumers continue to move their lives online, financial service providers must defend against a growing number of highly sophisticated and interconnected cybersecurity threats. 70% of UK financial firms suffered a cyberattack in 2020, with 59% of these attacks exacerbated by operating conditions arising from the Covid-19 pandemic, according to new [research](#).

EU and UK directives governing consumer and business payment services like the PSD2 (EU) and Open Banking (UK) will introduce new third-party providers into the mix, bringing additional security risks in sharing data with these partners.

In response to a rising tide of cybercrime and public pressure around data security, regulators in the UK, EU, and worldwide are also stepping up their diligence on financial service providers, mandating stricter cybersecurity and data standards. What is more, pressure is mounting on financial services providers to lift their game when it comes to sustainability. [In November 2020](#), the UK Chancellor set out his ambition for the future of UK financial services, announcing the introduction of more robust environmental disclosure standards to support the greening of the UK economy.

With the financial services sector amid a digital transformation and forced to navigate these growing complexities, we gathered insights from over 250 senior IT decision-makers (ITDMs) at UK-based Fintech SMBs to explore how data centres can best support these companies in a rapidly shifting operating environment.

**What are the key drivers of demand and adoption?
What do UK Fintech SMBs look for in a data centre provider today, and what can drive them to seek new partnerships?**

We cover these questions and more in our research, including insights into data centre usage and critical factors influencing business decisions on data centre locations.

Methodology



Who took part in the survey?

Our survey captured the opinions of **257 senior IT decision-makers (ITDMs)** from **Fintech companies across the UK.**

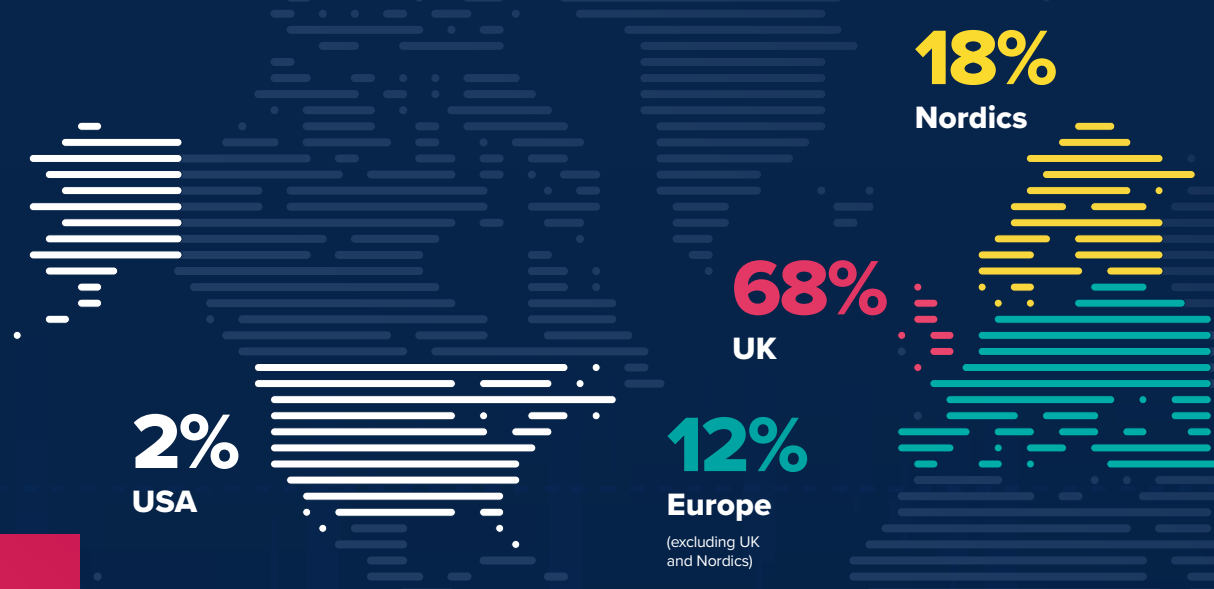
They work at small and mid-sized companies ranging from under two years old to more than 20 years, employing between 50 to 250 employees. Participating companies sold both financial products and services and earned annual revenues varying from £100,000 to £500 million and over.

Facilities they use

- **Public Cloud**
- **Hybrid Cloud**
- **Private Cloud**
- **Colocation**

Workloads and Usage

Survey respondents usage requirements consist of compute power (44%) and a variety of different workloads including digital transfers (39%), big data (37%), low latency trading (30%), research & development (28%), high-speed transaction processing (24%), crypto mining (17%), risk analysis (15%), and fraud detection (14%).



Data centre locations

Choosing a data centre

A sustainable influence

Environmental impact ranks as one of the top considerations when choosing a data centre (37%) without considering cost and security.

Efforts to tackle climate change are ramping up, with a host of new guidelines such as the UK government's **Green finance strategy**. With these types of initiatives in motion, it is little wonder 89% of ITDMs predict carbon audit reports will become as important as financial business reports in the next one to five years.

“

Our research suggests the younger the business, the greater the significance of working with a sustainable data centre partner becomes.”

For businesses under two years old

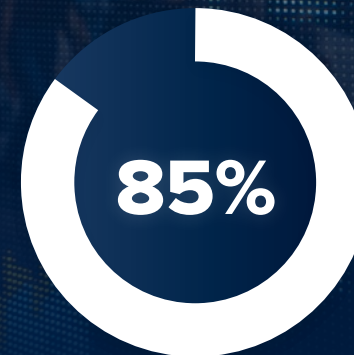
100% of ITDMs responded that environmental impact is an important consideration.

This theme continued for businesses 2-5 years old (44%) and 41% for those 6-10 years old. Whilst still significant, for more established businesses (11+ years), 27% agreed that the environmental impact is important when selecting a facility.

100% of ITDMs from Fintech businesses under two years old, agreed that a data centre's environmental impact influences their decision



85% of ITDMs from Fintech businesses aged 2-10 years, agreed that a data centre's environmental impact influences their decision



37%

37% of ITDMs consider environmental impact as a top decision driver when choosing a data centre without considering cost and security

89%

89% of ITDMs predict carbon audit reports will become as important as financial business reports in the next one to five years

Experience and support are worth the premium

Operating in a complex and highly regulated sector, Fintech companies face a unique set of challenges and requirements.

53%



53% of ITDMs want data centres to offer tailored support and customer care

50%



50% of ITDMs view access to a dedicated analyst or technical support manager as a premium offering for which they are willing to pay more

37%



37% of ITDMs prioritise a data centre's track record in the financial services industry when choosing a partner

58%



58% of respondents are open to relocating their data centre solution outside the UK in the next 12 months

“
Data centres providing these functionalities and services can gain a competitive edge and drive additional revenues.
”

Shifting locations

While London remains a powerful global financial centre and **Europe's leading Fintech hub**, its dominance has come into question due to Brexit. Financial firms in London have set up new offices in EU cities, including Frankfurt, Amsterdam, and Dublin, moving a trillion pounds in assets to **avoid disruptions**.

“

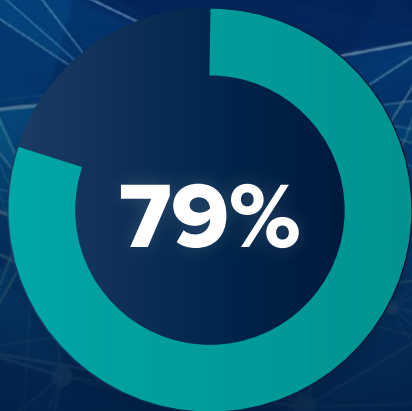
Whilst our survey found that 75% of ITDMs have used data centres in the UK over the last 12 months, this is expected to drop to 58% over the next 12 months. ”

Relocation considerations to EU-based data centres are likely a result of uncertainties surrounding the impact of Brexit on the EU's General Data Protection Regulations (GDPR) and 'adequacy' status for UK businesses.

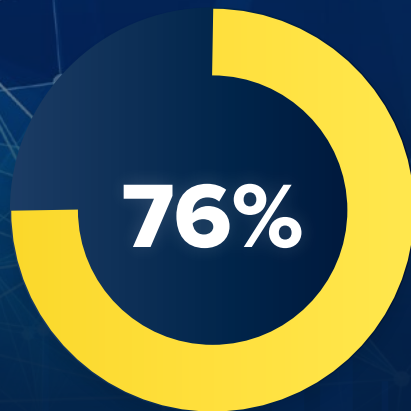
The EU has now formally adopted 'adequacy decisions' for the UK. These allow for the ongoing free flow of personal data from the EU/EEA to the UK. The Commission's adoption of the decision marks the final step in the process — at least for now.



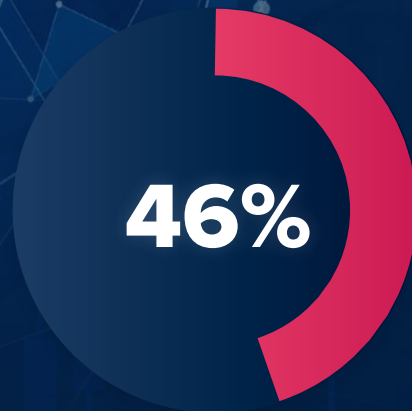
Data centre usage



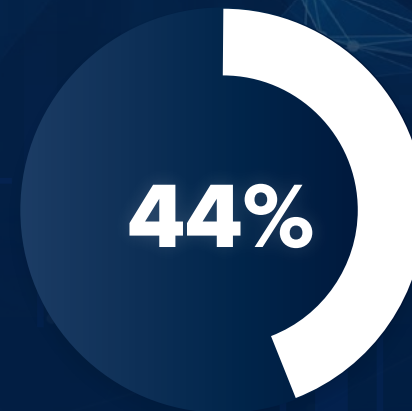
79% of ITDMs expect data centre reliance to increase over the next 12 months



76% of ITDMs expect their reliance on high-speed transaction processing to increase over the next 12 months



46% of ITDMs have increased their dependence on data centre services due to AI technologies enabling digital transformation



44% of ITDMs report compute power as their biggest usage area

Increasing reliance and usage

Demand across each cloud offering - public, private, colocation (Colo), and hybrid has increased, reflecting a growing need for data storage and management capabilities.

The most significant rises in demand over the last 12 months were for Public Cloud (81%), followed by Private (75%), Colo (75%), and Hybrid (67%). Reliance on data centres for computing power, digital transfers, big data, and low latency trading are all expected to increase over the next 12 months.

Responders to our survey suggest the biggest driver behind the continued demand is primarily the adoption of AI technologies (46%), alongside the acceleration towards digital transformation (39%) fuelled by the global Covid-19 pandemic.

“

This increase in demand is likely driven by a need to manage costs and navigate new data, technology, and scalability demands. ”

With AI a critical enabler of digital transformation and the ability of Fintech companies to create new products and services, dependence on data centres due to AI is likely to increase dramatically in the coming years.

Sustainability

Growing demand and expectation

Fintech companies across the board are feeling increased demand and pressure from internal and external stakeholders to adopt greener business processes.

45% of ITDMs feel pressure to become greener from customers, with 84% believing their clients look for sustainable technology when choosing a vendor. These results come as little surprise as the usage of Fintech products and services is higher among younger **consumers aged 25-44** that tend to be more environmentally aware.

But it is not just customers demanding more. For 40% of ITDMs, it is investors pushing their business to become more environmentally friendly. With 36% reporting a rising demand from employees as a reason for needing to implement more sustainable business practices.

Whilst 64% of Fintech ITDMs agree that data centres are supporting the transition to a carbon-negative/net-zero economy, a commitment to improvements will be a necessity and expected. A recent prediction found that the energy consumption of data centres will account for 3.2% of the **total worldwide carbon emissions by 2025**. A perspective recognised by our respondents, with 79% agreeing data centres are struggling to remain environmentally friendly due to the increase in demand for fast payments.

91%

91% of ITDMs agree that their current data centre provider can help meet their sustainability goals

89%

89% of ITDMs predict carbon audit reports will become as important as financial business reports in the next one to five years

79%

79% of ITDMs agree that data centres are struggling to remain environmentally friendly due to the increase in demand for fast payments

64%

64% of ITDMs agree that data centres are supporting the transition to a carbon-negative/net-zero economy





89%

“

89% of senior ITDMs

in our survey agreed that carbon audit reports will become as important as financial business reports in the next one to five years. As part of an audit, Scope 3 emissions will increasingly consider supply chain sustainability.

”

“

79% of Fintech ITDMs are vetting their suppliers' sustainable credentials

There is an opportunity to offer additional value by being a sustainable partner for Fintech businesses.

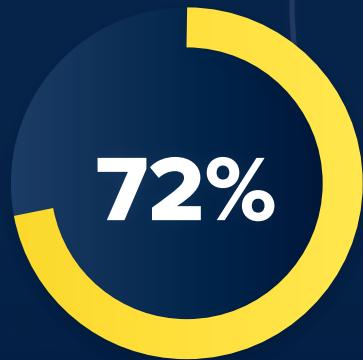
”



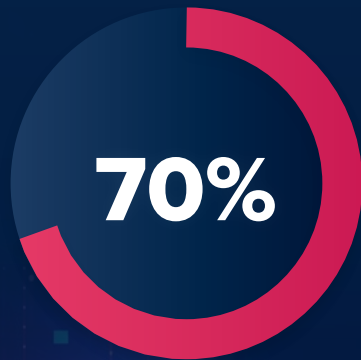
79%

Cashless society





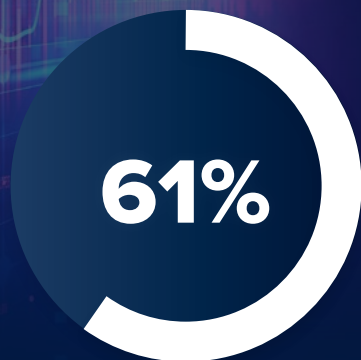
72% of ITDMs agree that data centres are having to think of alternative ways to protect company/personal data



70% of ITDMs believe older data centres cannot withstand the increase in data output



67% of ITDMs agree that data centres are constantly innovating to keep up with the demand for digital payments



61% of ITDMs believe that there is an enhanced security risk in a cashless society

The pandemic impacts

The Covid-19 pandemic has accelerated the move towards a cashless society. In the UK, **ATM withdrawals** dropped 60% when lockdown began in March 2020. While withdrawal volumes picked up once restrictions eased, figures from September 2020 show usage is still **40%** lower than the same time in 2019. A similar scenario is playing out across the EU, where the Covid-19 pandemic has led to a significant decrease in the use of cash in day-to-day payments.

With the pandemic causing a **dramatic drop** in cash transactions in 2020 and now only one in six payments made in cash, ITDMs are split on which payment method will become the most widely adopted. 51% of ITDMs believe voice-activated payments are coming next in the digital payments space, ahead of the much-hyped biometric payments (43%). A significant 37% of ITDMs believe cryptocurrency is next to become standardised. Although, whilst the **appetite for adopting cryptocurrency** among traditional banking institutions is increasing, governments, such as **China**, are cracking down, looking for ways to control and prevent widespread adoption.

Despite 67% of Fintech ITDMs agreeing that data centres are innovating to keep up with demand for digital payments, 70% believe older facilities will not withstand the increased data output brought about by digital payments. There is a job at hand for data centre providers to change perceptions and reassure Fintech businesses of the future proofed architecture and infrastructure installed across all facilities, alongside demonstrating the capacity to handle growth through innovation and cutting-edge security and technology.

Digitisation security concerns

The continued digitisation of financial services is giving rise to new cybersecurity threats. An **Accenture study** found that the average annualised cost associated with data breaches for financial services companies globally has increased to \$18.5 million. Unsurprisingly, as we move closer to a cashless society, security and data protection are a top concern for Fintech companies. With an ongoing shift to a cashless society, 61% of Fintech ITDMs believe it will bring enhanced security risks. 36% of respondents expect an increased threat of data theft, with 35% of the ITDMs believing that protecting customer data will become an investment challenge. A challenge expected to be shared given 72% of responders agrees that data centres need to think of alternative ways to protect company/personal data.

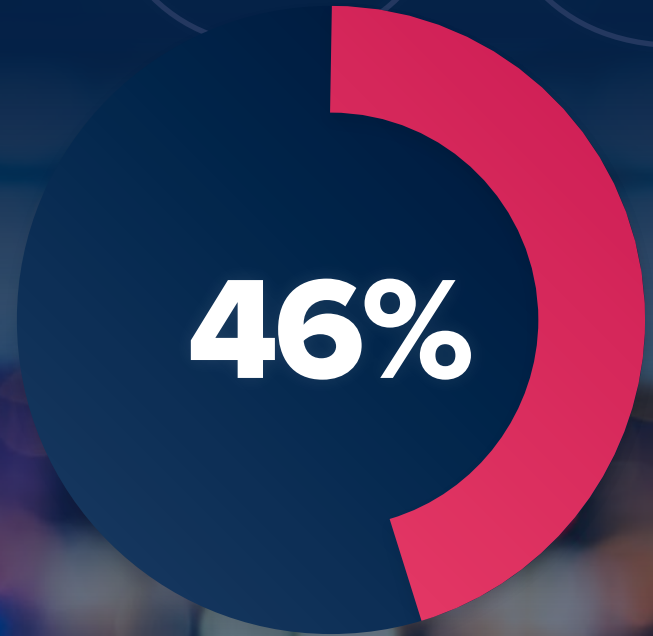
Growth opportunities



53% of ITDMs want data centres to offer tailored support and customer care



46% of ITDMs expect their data centre provider to start helping to improve their environmental credentials in the next 12-18 months



Just 1 in 5 ITDMs believe their existing data centre provider has the proper infrastructure and architecture to future proof their workload requirements

Tailored Experience

Fintech ITDMs want industry experience & a tailored service

With the need to navigate complex regulatory mandates, heightened security threats and a fiercely competitive market, Fintech companies face a unique set of challenges.

It is little wonder why 53% of the Fintech ITDMs in our survey want data centres to offer tailored support and customer care. Data centres with financial industry experience and the ability to offer bespoke custom services, meeting the unique requirements of the Fintech industry, will gain an immediate competitive edge.

Future Focus

Fintech ITDMs want future proofed architecture and infrastructure

Just 1 in 5 Fintech ITDMs believes their existing data centre provider has the proper infrastructure and architecture to future proof their workload requirements.

Data centres are at risk of losing existing business and not attracting new customers if this is not acknowledged. Data centres that communicate their ability to support future usage and workload requirements in compute power, digital transfers, big data, low latency trading, and other select areas will continue to attract a growing base of Fintech companies.

Sustainable Partner

Fintech ITDMs want data centres to support their joint sustainable goals

Almost half (46%) of ITDMs expect their data centre provider to start helping to improve their environmental credentials in the next 12-18 months.

Data centres using renewable energy sources and implementing greener practices can attract new Fintech companies by helping them improve and achieve their own environmental goals whilst also helping to reduce growing pressure from customers, investors, employees, and governments alike. It is worth noting, as the data centre industry grows to match demand, the **focus is shifting to embodied carbon** at the construction phase of new facilities and not just from an operational energy perspective.



About TBT Marketing

We are a full-service and independent B2B marketing agency, specialising in the IT industry, bringing an imaginative and collaborative approach to client work for the past 20 years.

Through our Future Focused approach to marketing, we are liberating the creative potential of technology for scalable and sustainable partnerships with impact.

We have grown and developed our offering to ensure we meet the demands of the market, working with global tech giants and challenger brands alike.

Strengthen Your Future With Us

For further details on this report, contact

hello@tbtmarketing.com

+44 (0)1373 463 270

tbtmarketing.com



1. The Guardian: Cashless society draws closer with only one in six payments now in cash <https://amp-theguardian-com.cdn.ampproject.org/c/s/amp.theguardian.com/business/2021/jun/16/cashless-society-draws-closer-with-only-one-in-six-payments-now-in-cash>
2. Keeper Security Inc: https://www.keeper.io/hubfs/press/Ponemon_Finance_PressRelease2021.pdf
3. GOV.UK: <https://www.gov.uk/government/news/chancellor-sets-out-ambition-for-future-of-uk-financial-services>
4. GOV.UK: Green finance strategy report <https://www.gov.uk/government/publications/green-finance-strategy>
5. Spreckley: Finance and Fintech <https://www.spreckley.co.uk/finance-and-fintech/fintech-friday-post-brex-it-london-is-still-europes-fintech-capital/>
6. Deutsche Welle: <https://www.dw.com/en/what-next-for-london-the-worlds-second-largest-financial-center/a-56101977>
7. GOV.UK: <https://www.gov.uk/government/news/eu-adopts-adequacy-decisions-allowing-data-to-continue-flowing-freely-to-the-uk>
8. EY Global: https://www.ey.com/en_gl/banking-capital-markets/four-themes-driving-fintech-adoption-by-consumers
9. Computer World: https://www.computerworld.com/article/3431148/why-data-centres-are-the-new-frontier-in-the-fight-against-climate-change.amp.html?__twitter_impression=true
10. Carbon Trust: <https://www.carbontrust.com/resources/briefing-what-are-scope-3-emissions>
11. WIRED: <https://www.wired.co.uk/article/pandemic-cashless-society>
12. European Central Bank: <https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210615~05b32c4e55.en.html>
13. The Guardian: <https://amp-theguardian-com.cdn.ampproject.org/c/s/amp.theguardian.com/business/2021/jun/16/cashless-society-draws-closer-with-only-one-in-six-payments-now-in-cash>
14. FinTech Magazine: <https://fintechmagazine.com/banking/cryptocurrency-gaining-favour-established-banks>
15. Reuters: <https://www.reuters.com/technology/chinese-financial-payment-bodies-barred-cryptocurrency-business-2021-05-18/>
16. Accenture: <https://newsroom.accenture.com/news/cost-of-cybercrime-continues-to-rise-for-financial-services-firms-according-to-report-from-accenture-and-ponemon-institute.html>
17. Data Center Dynamics: <https://www.datacenterdynamics.com/en/analysis/sustainable-data-centers-require-sustainable-construction>