



Banking & Payments
Federation Ireland

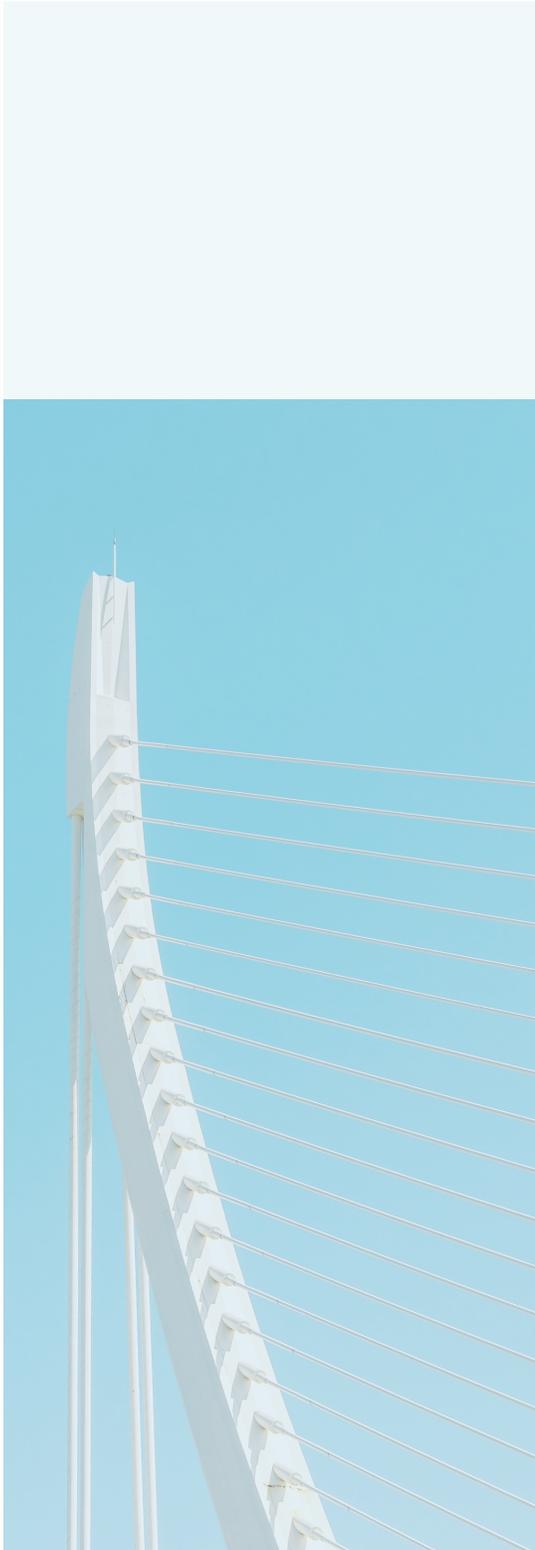
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Case Study



Innovation

 Ulster Bank



key learning outcomes

1

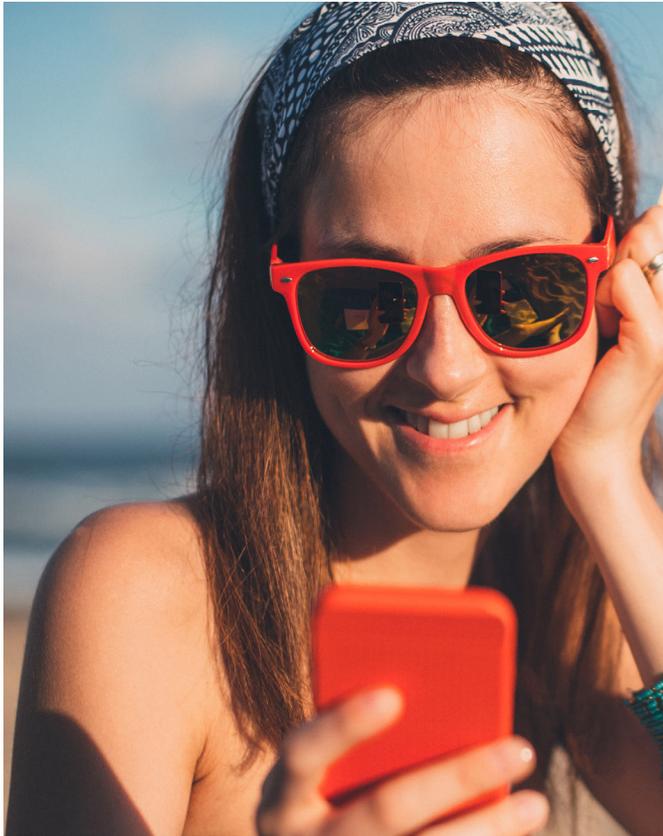
Impact of Technology on Business

2

Digital Innovation in the Banking Sector

3

Measuring Customer Satisfaction



introduction

For over 180 years, Ulster Bank has been at the heart of Irish communities, developing and growing with its customers. With 1.1m customers in the Republic of Ireland, Ulster Bank is at the forefront of Irish banking, a sector that is transforming rapidly in response to changing customer needs. This case study focuses on how Ulster Bank is embracing innovation to deliver an enhanced customer experience and to drive product, service and process improvements in its business.

This study focuses on the impact of digital innovation in the banking sector. It will show how Ulster Bank has embraced and invested in new technologies to enhance customer satisfaction and build customer loyalty. In addition, it will investigate the diffusion of innovations theory, the data protection regulatory requirements and consider the impact of technology on human resources.

innovation in the banking sector

An established company which,
in an age demanding innovation,
is not capable of innovation is
doomed to decline and extinction.

Peter Drucker



Innovation is about finding new and better ways to do things and bringing new value to customers. We are living in a golden age of digital innovation with new technologies like mobile, social media, cloud computing, wearable devices, and 3D printing transforming every aspect of our personal and professional lives. While this offers many advantages for businesses and customers, it also poses challenges.

Banking is one of the world's oldest businesses. At its very essence, the business of banking remains the same but how banks work and provide services has changed considerably over time. Through innovation, banking has gone from being predominantly a traditional branch-based face-to-face service with limited opening hours to one that is always-on, offering customers the convenience of multiple ways to bank – online, mobile, in-branch, telephone and ATM.

Ulster Bank's digital strategy

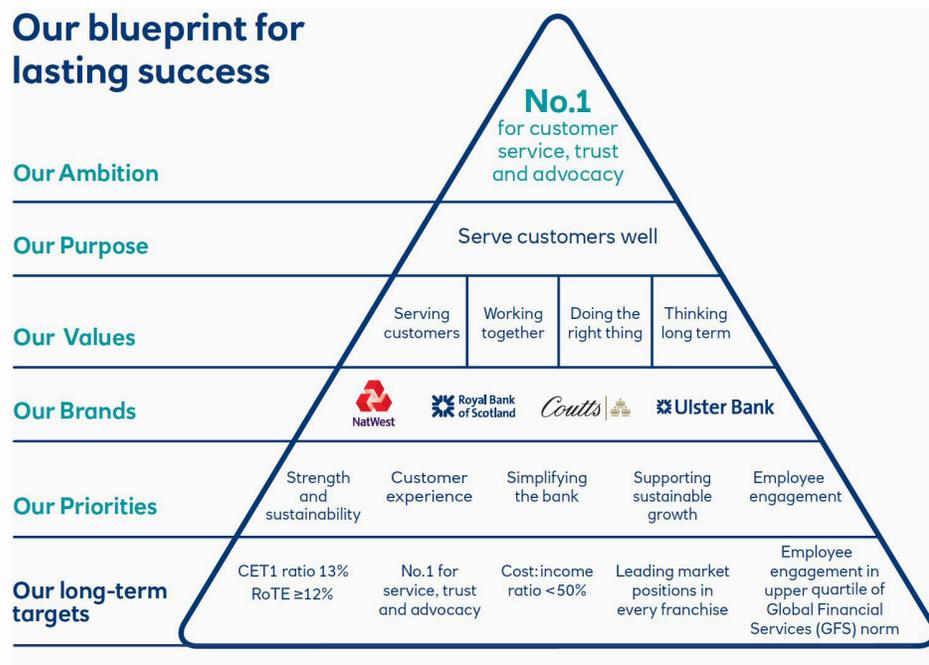
In 2016, Ulster Bank integrated 'Mobile First' into its business strategy. This means that more and more products are now optimised for mobile engagement. The business design model means that:

- Customers are more satisfied: greater flexibility, speedier transactions, and enhanced mobile banking features such as Touch ID and always-on access.
- It is more cost effective with the possibility of passing on the savings to the customer and increasing margins.

In order to encourage customers to use its mobile service, Ulster Bank must:

- Educate Customers.
- Keep improving their mobile experience.

Recognising that some customers don't want to use, or cannot access, digital services, Ulster Bank is conscious of the need to retain its more traditional options such as branch and telephone banking.



adopting new technology - diffusion of innovations theory

When any new technology is introduced, a small number of people will be open to the idea at the very start and gradually over time more and more people will embrace the idea. This process has been expressed by Everett Rogers in the [Diffusion of Innovations Theory](#) which shows how, why, and at what rate new ideas and technology spread. People are separated into five categories based on how quickly they adopt new technology.



Innovators: A small group of people who are constantly exploring new ideas and technologies. They are risk takers and require the shortest period of adoption.

Early Adopters: These consumers have a natural desire to be trend setters and opinion leaders. For them adoption of new technologies requires little persuasion as they are receptive to change. Businesses often use people in this group to trial and test new innovations.

Early Majority: These people are followers who read reviews by earlier adopters about new products before purchasing.

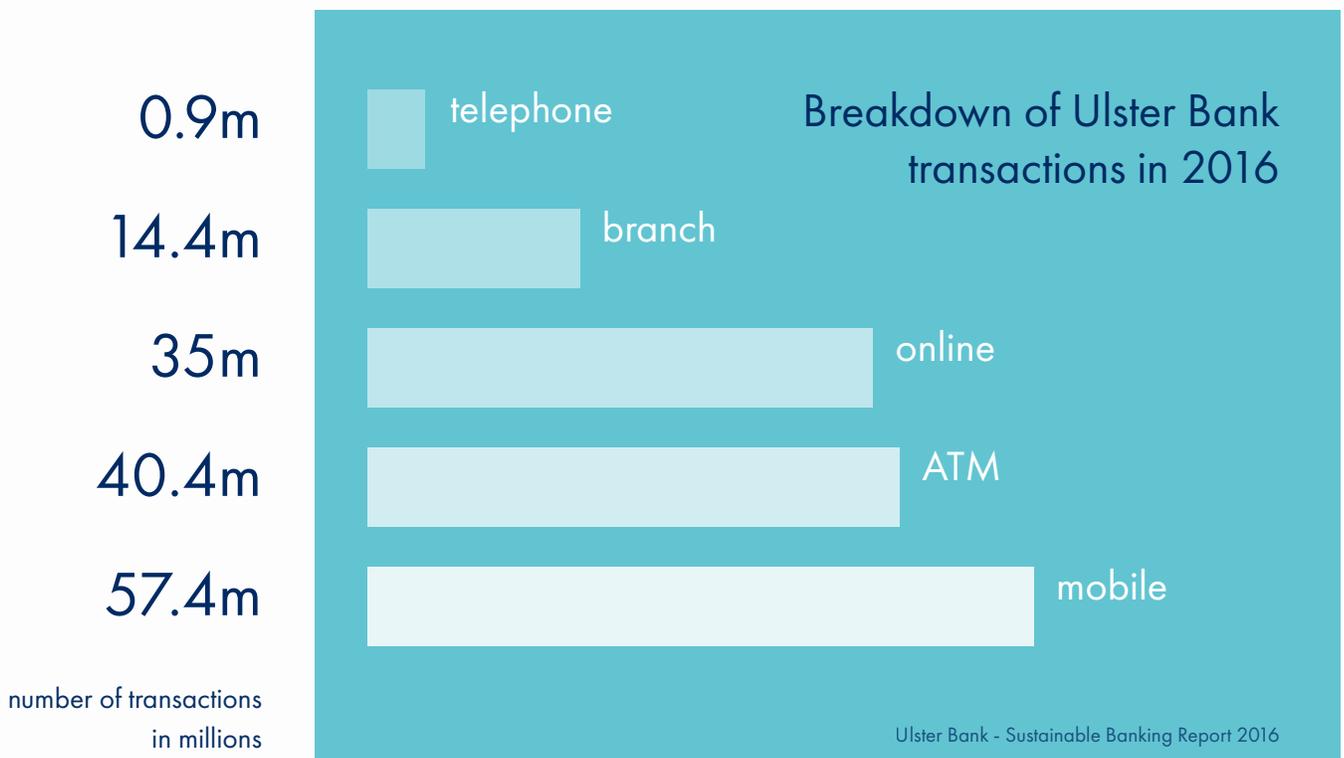
Late Majority: By their nature, this group is more sceptical and cautious. They are not keen on change and will only adopt a new product or service if there is a strong feeling of being left behind or missing out.

Laggards: These consumers are suspicious of innovation, avoid change and may not be willing to adopt a new product or service until all traditional alternatives are no longer available. Their point of reference is the past. They prefer the way things have always been done.

diffusion of innovations theory in practice at Ulster Bank

Ulster Bank needs to serve all its customers, so it's necessary to have a strategy for those who want a technological approach, while still providing service for those who want a face-to-face and / or telephone experience.

At Ulster Bank 65% of all transactions are now digital. As more and more customers adapt to online and mobile banking, the cost per customer to serve those who still want to use traditional channels (i.e. 'laggards' in Rogers' theory) increases. It now costs 100% more to service a customer face-to-face than through self-service. In time, it is likely the pricing model of banks will change to reflect this difference in costs of service delivery.



No more queuing — 24-hour access

Ulster Bank's online services allow customers to access banking services throughout the day, seven days a week. This provides people with the convenience of conducting business on holidays and weekends when banks are closed. Issues that need to be considered include: bandwidth, security, data protection, access, navigation, and ease of use.

Cybersecurity

Keeping financial information safe is one of the biggest areas of investment for banks — it is also a responsibility for customers. Ulster Bank constantly drives customer awareness and updates customers on how to protect themselves via its Security Centre at www.ulsterbank.ie.

Mobile and online services

Some of the new features added recently to Ulster Bank's mobile app include:



Customers can download and access the App on multiple devices



View overdraft limit



Manage regular payments
Set up Direct Debits, amend Standing Orders



Pay credit card bill

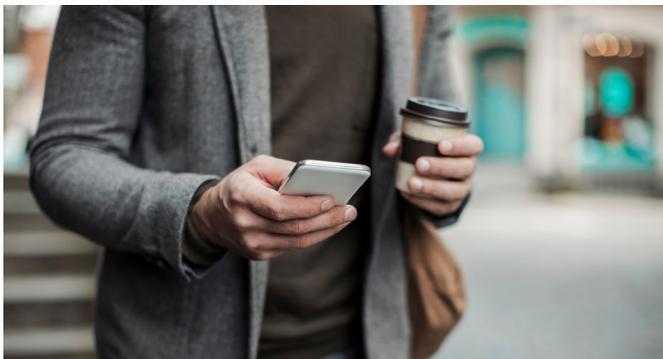
Resulting in an improved AppStore score from 3.5 to 4.2 stars.



Data Protection and Regulation

At the heart of the banking system is the concept of trust – trust that your personal identity will be safeguarded, that your money will be secure and that any financial information will be secure and never shared. Banks collect and process a large amount of personal data as an essential business activity. As a result, there is an ever-present legal and reputational risk associated with ensuring the protection and control of that data.

Data protection is about a person's fundamental right to privacy. A person is entitled to access information and to correct data that is stored about him / her. Organisations, including financial institutions, which retain data about a person, have to comply with data protection principles and data protection legislation.



There are eight Data Protection principles with which organisations must comply as follows:

- 1 Obtain and process data fairly.
- 2 Process it only for one or more specified, explicit and lawful purposes.
- 3 Use and disclose it only in ways compatible with the purposes for which it was obtained.
- 4 Keep it safe and secure.
- 5 Keep it accurate, complete and up-to-date.
- 6 Ensure that it is adequate, relevant and not excessive.
- 7 Retain it no longer than is necessary for the specified purpose or purposes.
- 8 Give a copy of his / her personal data to an individual, on request.

Innovation and Human Resources

Innovation is not only transforming the customer experience in banks, it has considerable impacts on Human Resources (HR) and how banks are structured. As fewer customers use the branch network and more people embrace the speed and convenience of digital banking, it means that existing employee roles are constantly changing to reflect the reduced demand for branch-based services. At the same time, banks are recruiting people with different skillsets to support innovation in new products, services and processes. Supporting change and creating an innovation culture is critical to the success of the business and its long-term sustainability.

In the past, different experts within the bank managed different areas e.g. mortgage, personal loans, current accounts. However, the mobile customer account needs to integrate all these services under one platform and this poses a challenge to the staff to collaborate across a wide range of areas and come together to drive the common purpose of the business.

Given the changes in the banking operating environment, Ulster Bank embraced organisational culture change through its 'Choice Programme' and its 'Bounce Programme'.

Bounce Programme - Digital and Business Innovation

Innovation in all its forms opens up many opportunities to develop new ways of working, improved products and better ways to serve our customers. To ensure the bank leverages these opportunities, Ulster Bank introduced a new employee innovation programme, called Bounce, which aims to embed a culture of innovation and empowerment within the organisation. The programme helps colleagues develop their skills in creative thinking, problem solving and collaboration to ultimately deliver better service for customers.

The programme content was designed through collaboration between the bank's new Digital and Innovation Team and the Training Academy, offering three elements of engagement:

Bounce Masterclasses

A full day workshop on developing an innovation mindset and practical tools to innovate in the business area.

Bounce Clinics

Facilitated sessions on solving cross-divisional challenges and opportunities with a customer.

Bounce eHub

Central portal for Bounce including Tools and Tips to innovate in your business area.



Choice Programme

The Choice Programme was undertaken by Ulster Bank in 2015 to encourage employees in non-customer facing roles to embrace remote working, flexible hours and hot-desking across a range of locations.

The initiative aimed to deliver cost savings and also to address the growing demand for more flexible working arrangements for employees. It involved significant challenges: managing a remote workforce, changing cultural mindsets to embrace a new model of employee management based on mutual trust, clear objectives, deadlines and deliverables to be achieved irrespective of work location.

The programme was an important one for the business in terms of employee attraction, engagement and retention whilst also supporting the bank's Health and Wellbeing strategy – i.e. reducing unnecessary commuting time through remote working, enabling more choice around early / late starts, condensed working hours, and supporting better work / life balance.

how does Ulster Bank measure customer satisfaction?

Ulster Bank uses the **Net Promoter Score (NPS) index**. This is a simple but powerful tool to measure customer satisfaction by asking one simple question: “On a scale of 0 to 10, how likely are you to recommend Ulster Bank to a friend / colleague / relative?”



Based on their rating, customers are then classified into three categories: **detractors**, **passives** and **promoters**.

Detractors give a score lower or equal to 6. They are not particularly happy and most likely will not continue to be a customer. They could potentially damage the company’s reputation through negative word of mouth.

Passives give a score of 7 or 8. They are somewhat satisfied but could easily switch to a competitor’s offering if given the opportunity. They probably wouldn’t spread any negative word-of-mouth, but are not enthusiastic enough about the company to actually promote it.

Promoters answer 9 or 10. They love the company, are repeat customers, and recommend the company to other potential customers.

The NPS is determined by subtracting the percentage of customers who are detractors from the percentage who are promoters.

$$\text{NPS} = \% \text{ Promoters} - \% \text{ Detractors}$$

For Ulster Bank, the NPS score for customers using its mobile app is +56 – which is higher than for customers using more traditional channels. When the digital banking service is easy to use, convenient and fast, the customer experience is likely to be more positive and consistent than for other channels of delivery.

the future

We have seen how technological advancements have made online banking and mobile banking fast, flexible and convenient. Although it's difficult to predict the rate of change in banking practices, here are four banking trends we are very likely to see in the next decade.

Cashless societies?

This might be hard to believe but it's possible that cash could become a thing of the past.

Swish in Sweden: In 2012, six of Sweden's largest banks collaborated to launch Swish which offers simple and secure mobile payments. Now more than half of the Swedish population use Swish to make more than 9 million payments a month and it is expected that Sweden will be a cashless society in the next five years.

No more ATMs and Debit Cards

As we increasingly become a cashless society, ATMs will likely become extinct as well. Debit cards are the current method of access to ATMs, but in the next ten years plastic cards will disappear and be replaced by smartphones and payment chips embedded in clothing, watches and other items.

Biometrics

As the world becomes increasingly more digital, the number of passwords people must manage is becoming a serious problem. Fingerprints, retina scans, facial recognition, and voice recognition will be used more and more by banks to authenticate transactions.

More bank branches will close

As millennial and future generations become the majority of bank users, the transformation to digital banking will be accelerated. This group like to get things done rapidly and efficiently. They don't necessarily need the personal touch of face-to-face banking as in previous generations.

conclusion

2016 trends



The past decade has seen tremendous innovation with the rise of online and mobile banking. These new technologies have forced banks and their customers to think and act in a completely different way around banking.

This study has shown that those who accept change in the banking industry and adopt new technologies are the first to reap their benefits. It's going to be very interesting to see how banking and banks continue to evolve.



9.72% of total transactions were in branches



activity

1 Discuss the impact that technology has had on banking.

2 *“An established company which, in an age demanding innovation, is not capable of innovation is doomed to decline and extinction” - Peter Drucker*

To what extent do you agree with the above statement? Outline the reasons for your answer and relate your answer to Ulster Bank.

3 Explain the term ‘Data Protection’. Outline the eight Data Protection principles with which Ulster Bank must comply.

4 Outline the changes that are expected to take place in the next decade. How do you think these will impact on how we do business?

about

BusinessEducation.ie is an online resource created for Leaving Cert Business, Economics and Accounting students and teachers. The site contains a wide range of support tools including:

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