Cisco Systems

Internet Business Solutions Group

ING Group

– investing in e-transformation

"With Cisco's help, we are implementing a global e-transformation of ING that will propel us to the forefront of the financial services marketplace."

Jacques Kemp, *Global Head of e-Business, ING Group*

Financial choices

Historically, the financial services sector was not renowned for its technical innovation. It chose to focus on providing and supporting financial products across counters and at meetings.

However, the Internet has changed all that. Smaller, more agile competitors are forcing the major players to simultaneously cut costs and improve customer service. Increased customer choice also requires the financial giants to speed up delivery, make product offerings more flexible and offer customers a variety of access channels.

Research published by financial services software provider Sherwood International states that web-enabled customer self-administration in the insurance market slashes the cost of setting up a new wholesale policy from $37 to just 42 cents.

EXECUTIVE SUMMARY

Background
In the decade since its inception, ING has achieved a 16-fold increase in market capitalisation – from $4.5 billion to over $71 billion today. The global financial giant, whose activities include banking, insurance and asset management, is Europe's third largest financial services company and is among the world's ten largest active asset managers.

Challenge
The pressures of new market entrants and the effects of deregulation – together with 50 million clients demanding access to financial products through many more channels – have inspired ING to sweep away traditional practices. ING seeks the web-enablement of every one of its 150 business units, together with all their employees, suppliers, and partners, to achieve best-in-class business effectiveness. To fulfil this mission, ING needed to focus its Internet activities under a worldwide strategic umbrella.

Solution
With Cisco's Internet Business Solutions Group as its trusted advisor, ING has adopted a global Internet strategy described by Fox-Pitt Kelton as one of the industry's most comprehensive. In the first phase, workforce optimisation and other e-working initiatives will transform the company's culture and efficiency. Second phase projects, including knowledge management and customer relationship management, will propel ING to the forefront of the financial services marketplace.

Results
Fortis Bank predicted that ING – with a budget of over $2 billion for Internet-related projects by 2003 – would be one of four European 'e-banking winners'. Cost to income ratios are forecast to improve from 73 at yearend 2000 to 65 in the coming years and staff morale is surging. With over half-a-million new customers in 2000, ING Direct should easily reach its target of 4.3 million online customers by 2003.

Annual management of an existing policy shows a similarly monumental drop – from $22 to 60 cents.

Internet drive

Europe's third largest financial services organisation, ING has its roots in the Netherlands with business interests extending to the Americas and Asia. It provides banking, insurance and asset management to personal, corporate and institutional clients in 65 countries through over 150 companies and 100,000 employees.

Throughout the nineties, ING focused heavily on merger and acquisition activity to ensure it would have the scope and breadth to flourish in a global arena that analysts such as Fortis Bank predict will only support a handful of major players. With net profit growth in recent years as high as 53 per cent, this strategy seems to have paid off handsomely.

But ING is not resting on its laurels. It is leading the way by adopting an Internet business strategy that leverages its key assets of a 50 million-strong customer base, huge financial and human resources, global reach, and strong brand identities. It has created an e-Business Centre headed by Global Head of e-Business, Jacques Kemp, to push the message out to each of its 150 business units.

At the web-face

ING's Internet journey started when key board members took an educative tour of California's Silicon Valley technology leaders, including Cisco Systems. Jacques Kemp explains: "We sought to enlist the advice and catch the buzz of companies at the 'web-face' – the technology leaders who are developing the very Internet itself as their core business."

John Chambers, President and CEO of Cisco Systems, was personally involved in presenting to the ING team at Cisco's San Jose executive briefing centre in April 2000. A team from Cisco's Internet Business Solutions Group (IBSG) was also present to provide practical demonstrations of Cisco's own experience in web-enablement.

IBSG was created to leverage Cisco's experience and expertise to accelerate its customers' success and agility in the Internet economy. Particularly powerful was the audited $1.3 billion saving that Cisco had achieved through its Global Networked Business and adoption of its own Internet business practices.

That session was instrumental in helping ING form its own Internet vision. "The Cisco examples made e-working real to us. They were a powerful way of communicating that Internet-based systems are more than an academic concept. The future actually works and we can see it now," says Jacques Kemp.

ING immediately decided to engage with IBSG in the detailed development of its own e-strategy. Iain Roache, Cisco's Managing Director for Financial Services in EMEA, recalls: “"It was that session which cemented the strong triangular relationship between ING, the Cisco account team and our IBSG consultants."

Following the meeting in San Jose, workshops between corresponding Cisco and ING departmental heads reviewed options for redesigning e-HR functions, e-finance and e-procurement solutions. This close collaboration between top executives in the two companies powered forward the agenda for ING Group's business transformation.

Phased approach

Jacques Kemp recalls: "We listened to Cisco – how they had redesigned their workflow processes and their innovative approaches to HR and workforce optimisation. While our two companies are in different industry sectors, the processes have remarkable similarities. That enabled us to create a roadmap to start building our own web culture."

ING is implementing its web strategy in two phases. The first phase is focusing on workforce optimisation and e-working initiatives, leading to full online working not only for employees but also for partners, customers and suppliers including ING 's 10,000 agents around the world. In the second phase, ING 's focus is outward towards its customer base.

This commitment to New World solutions is spelled out in the ING slogan: 'From intranet to everynet'. Jacques Kemp explains: "It requires standards-based systems integration to web enable every business function from internal to commercial – in fact the entire organisation."

'Click, Call and Face'

ING calls its multi-distribution channel approach 'Click, Call and Face'. The company intends to make the Internet the preferred port of call for its customers, followed by the telephone and then face-to-face meetings where appropriate.

Through this strategy, ING is sure of reducing costs and boosting customer satisfaction. The primary vehicle is to be ING Direct. With over half-a-million new customers in 2000, ING is confident that this flagship Internet retail financial services provider will reach its target of 4.3 million online customers by 2003. Other successful e-channels (in terms of rapid take up of new customers) are 'PostBank', a financial portal in the Netherlands, and 'ihatefinancialplanning.com' in the US.

Natural learning

Such a step change – from traditional company to e-business – is a real challenge for a group in which Jacques admits only a third of its people are truly IT-literate. But IBSG has been able to offer ING advice to accelerate culture change. The IBSG-recommended approach is to select 'quick wins' – early projects that yield visible return on investment and through which staff and management are galvanised.

Early intranet projects involving staff in interactive online work are creating a gradual and natural culture shift. Those projects include a staff directory – an interactive database of ING 's 100,000 employees and agents; a self-service online travel desk for staff to perform their own business travel bookings; and Diamond – ING's new online expense claims solution.

Jacques is certain of the return on investment on those first phase projects: "We've committed over $2 billion to web projects. ING is at the top of the sector and we aim to not only stay there but also to get ahead of the competition through our web strategy. Our engagement with Cisco is already paying dividends as we drive these first projects through."

Another example of a project that will soon deliver huge cost savings to ING is E-wish – ING's web-enabled HR solution. The company expects that this alone will deliver a massive reduction in overheads in the next twelve months. Following an e-learning workshop facilitated by IBSG in Amsterdam and attended by ING people from the furthest geographical reaches of the organisation, ING has adopted the SABA e-learning solution – a modular and re-usable package that will boost accessibility to e-learning for ING's 100,000 people from just five per cent to everybody in a matter of months.

ING people are already enthusiastic about the integration of e-business throughout the group. Jacques Kemp says: "The feedback is extremely positive. People really feel that this is a must – and that it has to be implemented urgently."

Knowledge management

ING has a vast number of strong brands, each with good local presence in its own marketplace and its own customer database. Jacques says that there is huge potential for targeted cross selling between and across those businesses.

Under a second phase project, web-enabled knowledge management techniques will share and leverage customer information to build customer loyalty and reduce the cost of marketing new products by intelligent targeting. A full knowledge management solution across the business is a longer-term aim – and is likely to be implemented in 2002 – but ING is already in discussion with IBSG over the methodology and infrastructure required to undertake such a massive project.

Super investment, superhighway

ING Group has calculated that the return it will gain from its $2 billion Internet investment will outperform any other type of investment it could have made. Jacques Kemp says that ING will make no 'bold statements' about potential benefits but, significantly, he says that the company plans to improve its cost/income ratio from the banking side from around 73 at yearend 2000 to 65 in the coming years.

As part of the IBSG engagement process, Cisco undertook a gap analysis of ING Group's many different global network services. It advised a new network, consolidated down to three interconnected high-speed globally integrated wide area networks capable of integrated transmission of data, voice and video. Jacques Kemp explains "Our plans will generate a lot of traffic so it is imperative that we build the right superhighway to put it on."

And in its 2000 annual report, ING states that its goal is for one third of its customers to do most of their banking online by 2003. "A good indicator of future success is our direct retail banking company in the Netherlands, PostBank, which is leading the way in e-commerce. It now generates 35 per cent of stockbroker orders online, and we have added online purchasing, savings, private loans, bonds and the use of electronic credit cards," says Jacques Kemp.

Into the lead

Jacques Kemp concludes by explaining the competitive advantage that engagement with Cisco is delivering: "Cisco's model characterises the dimensions on which our own web progress can be judged. With Cisco's help, we are implementing a global e-transformation of ING that will place us at the forefront of the financial services marketplace.

"IBSG professionals are giving us their knowledge freely, whereas we would otherwise be several years behind the state of the art. The original challenge was to get up to speed, but we've accelerated so fast that we now have no doubt that we will take the lead."

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