



Report on benchmarking project at ING Direct

Driving customer loyalty through IT excellence

The direct bank ING-DiBa underwent a benchmark project to compare itself to its eight international sister companies and the external market. Kees van Rossem, Head of IT, had his strategy confirmed – but there was still room for improvement.

The German direct bank ING-DiBa has completed a long phase of growth with its customer numbers climbing from 1.8 million in 2002 to over 6.6 million in 2008. Over the same period the total volume of mortgages provided by the bank rose from two billion to 45 billion euros. It will hardly come as a surprise, therefore, that managing the growth was the number one priority for Kees van Rossem. The key factors driving the IT Department are the demands from the senior management of the company for maximum quality along side adequate capacity at all times. “The worst thing that can happen to a direct bank is if customers want to get in contact and the systems are not working.” The ideal situation for van Rossem is to give customers on the telephone or internet a feeling of “belonging” which is only possible if the IT systems are available and the service level is high at all times.

Over the last few years the IT Manager and his internal IT staff of around 300 people have completely eliminated paper from the processes of the mortgage business and have also implemented a call centre application to enable them to cope with the volume of customer inquiries at low cost. In addition a system for arranging consumer loans was developed and modern security solutions implemented. Finally, a new “command centre” in Frankfurt am Main has ensured that customer processes can be monitored around the clock. The most recent challenge has been to implement the Core24 core bank application from Kordoba. This means that

the architecture is now entirely based on easily scalable Unix and Oracle systems.

However, the Dutch Manager had been successful in his attempts to keep a firm grip on IT costs whilst the company underwent such phenomenal growth. “My IT controller and I have adopted a long term model under which our IT costs per retail balance (= total savings + loans + deposits) are planned to fall on a year by year basis.” The calculation is simple – the implementation of applications designed to increase efficiency provides scope for other projects. In addition, low costs are an integral component of the history of ING-DiBa because as a direct bank it can save on the costs of maintaining a branch network which in turn makes its offerings attractive to its customers. According to the IT Manager, the IT budget is a major cost block and comprises around 30 percent of the total running costs. “If you know where you can make savings”, says van Rossem, “it is a great stride forwards towards ultimate success”.

There have always been ideas for efficient management by comparison with its global sister institutions. ING DiBa is part of the ING Direct Division which includes companies in Australia, Canada, Austria, France, Italy, Spain, Great Britain and the USA. Van Rossem compares the governance model to a “fleet of companies” which enjoy a great deal of freedom in their local activities, but all have the same ultimate targets. The “IT Council” of the national department managers meet on a regular basis to discuss best prac-

Profile

ING  **DiBa**

Company
ING-DiBa

Website
www.ING-DiBa.de

Benchmark targets

- Comparison of the IT costs of the nine national companies in the ING Direct Division with their external competitors and with each other
- Analysis of support, development/maintenance, operations and infrastructure for the main bank applications in the retail business
- Identification of potential improvements
- Increase IT efficiency

“The benchmark provided us with valuable knowledge and a few major surprises.”

Kees van Rossem, Head of IT at ING DiBa



Kees van Rossem, Head of IT at ING-DiBa, "The aim is to achieve maximum quality with minimum costs."

Business advantages

- Best practice in the national companies identified and shared.
- Determine the current position of the IT department in terms of costs and performance.
- Ten projects for improving IT efficiency were derived from the benchmark.
- The results reinforce the company's views about itself.

tice and standards. There are expertise groups to cover topics such as architecture and development, telephony and IT infrastructure. Moreover the national companies use the potential provided by the central procurement system. "Our real strength is in sharing knowledge between the various departments so that we don't all have to invent everything for ourselves", says van Rossem.

The structure of the group also proved to be an advantage when the increasing competition and the crisis in the financial markets meant that cost-benefit considerations became more important at ING Direct. Van Rossem developed a plan to compare the IT costs for the retail business both within the group and on the external market. The IT Manager explains the background to this decision, "Two years previously we conducted a classic IT benchmark with Maturity and everything looked good". The suggestion which was then made at the IT Council to compare the efficiency of the regional IT companies with each other and analyse the results was then very well received. For this purpose a benchmark model was developed which enabled a global comparison of all the costs for support, development/maintenance, operations and the infrastructure for the main bank applications. In addition the cost categories and the various key figures were defined jointly for

every segment of the benchmark (benchmark layer). The department managers decided that Spain and Germany would take the lead in the project and the other countries would then follow them. The head office of the ING Group in Amsterdam supplied internal data to Maturity to support the companies' key figures.

In view of the problems in the financial world, the timing of the benchmark was ideal and the results also provided some welcome relief. The German national company came out better than the peer group and all the other units of ING Direct were also ahead of their rivals. "Great insights and a great result", is how van Rossem sums the whole thing up. For the IT managers the results of the benchmark not only showed them exactly where they stood in the market but also provided them with convincing arguments for internal negotiations within the group. However, van Rossem does not intend to rest on his laurels and despite the excellent results prefers to keep his feet on the ground, "You must always be prepared to listen to suggestions for improvements."

In fact the benchmark also showed that there was room for improvement and as a result a large block of costs has already been cut from the division. Van Rossem managed to initiate around ten projects for improving IT from the

benchmark, "The benchmark provided us with valuable knowledge and a few major surprises." One of the main reasons for this was the comparison with international sister organisations which highlighted the relative strengths and weaknesses of each of them. The areas for improvement were placed in the hands of a "cost-conscious manager" who is in charge of their implementation. "We are taking the whole thing very seriously", says the IT Manager.

On the basis of these findings, ING-DiBa is now planning to enter a long term joint venture with Maturity. In the future the direct bank plans to improve and extend the benchmarking model says van Rossem. The areas to be added to the process include the overall control of the bank ("the cockpit of the bank"), including financial applications and applications which relate to risk management. ING-DiBa intends to compare this section of its business with the market in 2011. "We want to be the first national company to complete the benchmark so that we are the pioneers", says the IT manager. Until then van Rossem will continue to stay true to his slogan, "The aim is to achieve maximum quality with minimum costs." This does not mean being cheap and cheerful, however. "Excellence can be achieved if you expect more than others believe is possible." ■

Maturity UK Ltd.
68 Lombard Street
London EC3V 9LJ

Phone: +44 (0) 20 7868 1901
Fax: +44 (0) 20 7868 1800
London@maturity.com

Our branch offices:
Amsterdam, Frankfurt, Hamburg, London,
Munich, Milan, Vienna, Zurich

www.maturity.com