

Ing direct ("ing-d") case study – marketing fundamentals assignment

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ING DIRECT ("ING-D") Case Study Course: Marketing Fundamentals

Submission Date: 17th November 2009 Executive Summary ING-Direct (ING-

D) is a marketing orientated bank that has launched into established markets in the last decade using differentiation as a way to build competitive advantage. This report splits into Section A, based on information provided by the 'ING Direct USA ??? Rebel With A Cause' Case Study by IMD International, and Section B which critically assesses the ING-D website.

Section A The Nature of the ING-D's Value Proposition Customer Value Proposition Creation

By engineering processes and products from the customer inwards, ING-D aimed to construct a customer value proposition that offsets perceived sacrifices with higher levels of perceived benefits in areas which resonate strongly with customers. Value Proposition Summary The key perceived benefits offered to customers are simple, easy to use accounts with no fees or service charges, no minimum balances, great savings rates, the convenience of 24/7 internet banking and quality service from an award winning call centre. The perceived sacrifices are principally the physical evidence aspects of the service marketing mix that are associated with the traditional banks, including branches and ATMs. The other key perceived sacrifice is that ING-D does not offer a complete portfolio of accounts due to the lack of a Checking Account. Therefore customers potentially need to operate a number of accounts with different organisations. The value proposition is supported through integrated marketing communications which utilise a range of tools and channels in addition to basic advertising, including sales promotion, events and online educational services.

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The use of less traditional communication methods underlines the strategy of using differentiation for competitive advantage. It sets ING-D apart from the mainstream banks in brand personality. Value Proposition Effectiveness
ING-D created a viable customer value proposition as evidenced by high levels of customer advocacy and the growth in customer numbers and deposit levels. The Evolution of ING-D's Strategy Since its Launch in the US Market Post-Launch Environment The post-launch period saw ING-D US entering a period of significant growth.

At this time the bank was grappling with a range of challenges including pressure on margins, aggressive competitor activity, consumer confusion and increased internal reporting and control measures. The marketing strategies employed principally focussed on evolving two key parts of the marketing mix; product and place. Product Development Post-launch ING-D chose to implement a product development strategy as per the Ansoff Growth Matrix (Appendix 1). This can be seen in the period from 2000 to 2002 when a range of new products, such as Mortgages, Certificates of Deposit, etc, were launched into the existing ING-D US footprint.

Channel Development ING-D traditionally operated a direct to consumer distribution channel. This had the benefits of maintaining control over the relationship with the customer ensuring that the brand values could be executed consistently. However, to address its balance sheet issues, in 2005 the direct distribution channel was supplemented with the introduction of intermediary agents in the form of wholesale mortgage brokers. Impact of

Activity Growth was achieved quickly with effective diffusion through the market resulting in ING-D becoming the largest on line bank in the US.

However, the rapid growth strategy resulted in a more systems and process based organisation and challenging the maintenance of its trademark entrepreneurial culture. ING-D Competitors and the Evolution of Their Strategies. Key Strategic Changes By Competitors Considering Porter's Model of Competitive Industry Structure, we can see that with high barriers to entry, and limited opportunity for substitution, the main factor affecting ING-D has been in the form of competition from existing US banks, (Appendix 2).

Previously these banks had core strategies of targeting specific markets. They focussed on their main product offerings such as Checking Accounts, and on branch network service provision. However, because ING-D's success many of the established banks implemented new competitor target strategies in which they went head-to-head with ING-D and the other new entrants, internet banks, which had been attracted into the direct market. ING-D's competitors fall into two key groups; Bricks & Mortar

The traditional banks such as Citibank & HSBC have principally eroded ING-D's unique selling propositions through the availability of high interest savings accounts. They had the advantage of building on existing relationships and offer the convenience of being a one-stop-shop for customers. As holders of the primary checking relationship this has been a credible market position which has resulted in savings balances switching from ING-D. Internet Internet competitors have operating models more like the "no frills" approach adopted by ING-D.

The main competitive threat has been around interest rates but they also attacked ING-D's brand values and personality, such as the use of less formal marketing messages and communication channels. Impact The result of these strategic changes has been a proliferation of 'me too' savings products from a range of providers which have created price competition, choice and consumer confusion. The actions of competitors have reduced the perceived benefits of ING-D and increased the value of the perceived sacrifices.

The main impact is that ING-D lost its price leadership position for savings interest rates weakening the customer value proposition and leaving the bank open to threat. The impact can be seen in the 2006 figures, with average savings per million customers of \$10.8m in 2002-05, falling to \$8.2m in 2006, a drop of 24.7%. Arguments For and Against ING-D's Introduction of Checking Accounts and Recommendation ING-D has lost its competitive advantage of high rate savings accounts. To rectify this one option is to introduce a checking account.

Benefits ??? Establishing primary customer relationship associated with Checking accounts ??? Removing an existing advantage for established competitors ??? Protecting market share by meeting its customers' complete banking needs ??? Attracting new customers from an attractive, substantial (49% of bill payments in 2002) and profitable market sector ??? Doing nothing leaves bank open to continued risk of market share erosion ??? Removes reliance on maintaining the best rates as sole USP

Risks ??? Conflicting with the company's core value proposition as a low-cost, simple, easy to use banking provider ??? Increasing customer support and training requirements leading to higher operating costs ??? Introducing a level of operational complexity and increasing operational risk ??? Requiring a more process and systems based environment contrary to its entrepreneurial culture Recommendation We believe the benefits outweigh the risks and recommend ING-D launches a Checking Account.

It is vital that it links the product offering back to the fundamental brand values that have made the bank successful with a specific focus on product and process design. ING-D needs to focus on making its Checking Account a differentiated product offering around areas such as; ??? less complicated than its competitors' accounts ??? no requirements for minimum balances ??? transparent communication and application of fees Limited market testing has already helped to refine the product and processes.

This needs to be finalised to ensure that the 'easy to use' market position is achieved. As part of this, further research around the lack of a cheque book may be required as this could be viewed as a negative by customers and limit the potential market penetration. By referring back to ING-D's core principles it is possible for it to create a market position on checking accounts that is consistent, credible, competitive and clear and aligned with its other products and core values. Section B Critical Assessment of the Current Positioning of ING-D Based on Their Website <http://www.ingdirect.co.uk/> The ING-D website was reviewed on 31/10/09 and 15/11/09 and the overall positioning assessed within a framework of four principles of

successful positioning. This is completed on the website as at 15/11/09 with references to any noteworthy changes from the 31/10/09 version, (Appendix

3) Clarity The use of the " Saving Feels Good" positioning statement fixes ING-D as a bank with savings as a key offering. The other products on offers are limited to Mortgages and Home Insurance leaving a very simple uncluttered view of what products ING-D is providing to customers.

However, it could also be argued that simplicity has gone too far and that the stripped down approach limits the provision of a comprehensive offer. For example areas such as the main FAQ section fail to answer many common questions that customers may have regarding the bank or the broader economy. The site consistently evokes an emotional relationship through the words, " feels good", which links into the behavioural market segmentation approach. Some of the images and marketing approaches are confusing in terms of customer segmentation targets.

For example, there are photos of young children and parents on the general pages, whilst the ages of the customers in the video section start at 46 years, thereby conflicting with the messages about earlier life cycle stages.

Consistency The use of brand assets such as contemporary " Dutch" orange and the lifeboat image ensure the site is instantly recognisable. The lifebelt image is consistently used to highlight rates. This links to safety as a motivation for saving, further building on the use of family images.

The site remains consistent with the ING-D brand values by being easy to navigate, in a clear font and with easy to find information such as contact details and frequently asked questions. The lead item on the homepage is

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mortgages which changed since the 31/10/09 when savings led. This doesn't sit as well with the usual ING-D market positioning as a savings provider. It may well be that ING-D has a strategy to keep the website fresh by changing the offer and emphasis on a regular basis. However, the change may have resulted from the significant drop in interest rates between the two dates as the company attempts to drive mortgage business.

Other parts of the home page continue to focus on savings and therefore there is some consistency in reinforcing this position. Tick marks give an upbeat feel to the site rather than simply using bullet points and this fits with the less formal communication style. By delivering a differentiated offer to competitors through the provision of fewer products, a friendlier quality service and a fresh approach ING-D seeks to establish itself in the minds of consumers as a different type of bank with a clear brand personality.

Competitiveness

The site works to convince consumers that ING-D is a safe place for their money. It doesn't confirm a position of competitiveness through its messages. The savings interest rate is clearly highlighted which allows for easy comparison but doesn't specifically provide information on competitor offerings. This may be due to restrictions due to legislation. Over this fairly short time period the ING-D site has changed in emphasis from savings to mortgages which may be due to variances in the savings rate on offer, which have dropped by 2.7% to just 0. % for new customers. ING-D is proud of its award winning customer service centres and the site highlights a range of awards across both general service and product specific categories. High

levels of customer service and UK based call centres will be seen by some customers as a competitive advantage given the recent backlash against organisations that have outsourced this service to India and the Far East. Credibility Much of the credibility of ING-D's positioning off-line comes from the high levels of customer satisfaction and advocacy.

ING-D has chosen to directly translate this factor online with customer videos and uses cues such as customer numbers to build credibility and pre-empt cognitive dissonance. Given the economic back-drop the bank has missed the opportunity to build possible credibility by helping its customers to better understand the stability of the bank and the safety of their deposits. Further to this there are only 5 press releases provided for 2009, the most recent of which is over 4 months out of date, and none of these relate specifically to ING-D.

The creditability of the ING-D offer could be greatly eroded by the large drop in the savings rate. In a period with no base rate changes it is difficult to see how the size of change could be justified, especially as competitor rates published on comparison websites remain in excess of 3.0%. Appendix 1 Ansoff Growth Matrix [pic] (Jobber & Mahy, 2009, based on p324) Appendix 2 The Porter Model of Competitive Industry Structure [pic] (Jobber & Mahy, 2009, based on p319) Appendix 3 <http://www.ingdirect.co.uk> - Home page as at 31/10/09 [pic] <http://www.ingdirect.co.uk> - Home page as at 15/11/09 [pic] Bibliography ING Direct [Online]. Available from: <http://www.ingdirect.co.uk/> [Accessed 31/10/2009 ??? 15/11/2009]. Jobber, D. and Fahy, J. (2009) Foundations of Marketing, 3rd ed. , McGraw Hill, London. Sequeira, S. ,

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