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Case Study: ING Delivers Personalized Product Offers Across Channels In Real Time

by Alexander Hesse
for Customer Intelligence Professionals



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This is the fourth document in the “Best Practices In Multichannel Marketing, Sales, And Service” series.

by **Alexander Hesse**

with Benjamin Ensor, Suresh Vittal, and Courtney Tincher

EXECUTIVE SUMMARY

Dutch bank ING’s marketing campaigns were losing effectiveness because many of them weren’t relevant to the bank’s customers. The bank’s organizational structure, processes, applications, and heavy reliance on direct mail were not meeting the needs of a multichannel bank with a strong Internet focus. By implementing a centralized campaign management program that creates personalized offers in real time and can deliver them through multiple channels, ING increased average campaign response rates and expects to reduce its direct marketing costs by 35% per year. ING’s case shows customer intelligence professionals who want to go through a similar effort that clear top-level sponsorship, involvement from stakeholders from multiple functions, and effective change management are key to a successful implementation.

TABLE OF CONTENTS

- 2 Situation: ING Wanted To Revamp Its Direct Marketing Program**
- 3 Best Practices: ING Built A Centralized Cross-Channel Marketing Program**
- 7 Results: ING Has Cut Costs And Increased Response Rates**
- 8 Next Steps: ING Will Refine Message Relevance And Add Other Channels**

RECOMMENDATIONS

- 8 Centralized Cross-Channel Marketing Is A Companywide Effort**

NOTES & RESOURCES

Forrester interviewed vendors and user companies, including ING and Unica, for this document.

Related Research Documents

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April 2, 2009

[“Creating A Multichannel View Of Your Customer”](#)
June 19, 2008

[“How Technology Enables Inbound Marketing”](#)
January 9, 2007

SITUATION: ING WANTED TO REVAMP ITS DIRECT MARKETING PROGRAM

Two years ago, Dutch bank ING Bank was struggling with disconnected, slow, and costly direct marketing processes that were producing diminishing returns. Over the past two years, the bank has completely rebuilt its marketing technology infrastructure and organization to create more effective, multichannel marketing programs. To dig into the mechanics and business outcomes of this transformation, we talked to Martin de Lusenet, program manager, customer intelligence at ING Retail.

ING's Existing Direct Marketing Programs Had Some Clear Shortcomings

As one of the largest financial services firms in Europe, ING had a high-volume direct marketing operation, sending out around 60 million pieces of direct mail each year. The bank realized that its campaigns were losing effectiveness because its campaign program — originally built for direct mail — wasn't meeting the needs of what was now a multichannel bank with a strong focus on the online channel. The bank's existing campaign management process was:

- **Disconnected.** ING communicated with its customers through different channels like direct mail, Web site, call center, and email. However, each channel had its own communication and contact strategy. The result: No channel had a complete view of the customer's entire relationship and contact history.
- **Slow.** The lack of centralized coordination meant that the entire process of running an outbound mail campaign — from the initial briefing to the final execution — took between 16 and 22 weeks. To compound the problem, it took six to eight weeks for marketers to have a clear picture of the performance of a campaign. For some products like mortgages, this entire process could take as long as six months. The downside is clear: It was hard for marketers to take corrective action or to integrate lessons from one campaign to the next.
- **Costly.** ING's traditional campaign management process was very costly because it required the involvement of many stakeholders like channel management, product management, segment management, database marketing, and marketing agencies to plan and execute each campaign. For some campaigns, as many as 14 people were invited to a single campaign briefing meeting. In addition to extensive personnel costs, campaign management was expensive because of ING's focus on costly direct mailings.

Traditional Outbound Marketing Campaigns Were Losing Effectiveness

With 20 years of experience in database marketing, a large integrated data warehouse, and extensive use of marketing models for the 650 campaigns that the bank runs on a yearly basis, ING already had a sophisticated direct marketing program in place. Nevertheless, the bank was seeing response rates to its outbound marketing campaigns drop dramatically — reducing each campaign's profitability. On average, the campaigns' profitability fell by as much as 65% between 2005 and 2007. ING realized that its direct marketing messages were lacking relevance because they were:

- **Not personalized to each customer's unique needs.** ING's direct marketing programs were similar to the ad hoc, product-driven approach most firms use. Marketing managers who wanted to sell more of a particular product worked with database marketing and channels to select a list of prospects — based on a range of general criteria and business rules — who would all receive the same offer. As campaigns weren't personalized, they generated low response rates. For instance, a large mail campaign for mortgage products delivered sales conversion rates as low as 0.08%.
- **Not creating a dialog with customers.** With its old direct marketing program, ING was simply “pushing out” campaigns to its customers on an ad hoc basis. The bank wasn't creating an ongoing dialog with prospects by tracking how they responded to a particular offer and adapting subsequent messages based on the customer's response. As a result, a customer could receive the same offer twice or be targeted with conflicting offers from the bank.
- **Not taking advantage of inbound channels.** ING's direct marketing program relied heavily on outbound channels, of which direct mail was the most important. The bank realized that its current program wasn't taking advantage of the sales and marketing potential of inbound channels like online banking, branches, and the call center.¹

BEST PRACTICES: ING BUILT A CENTRALIZED CROSS-CHANNEL MARKETING PROGRAM

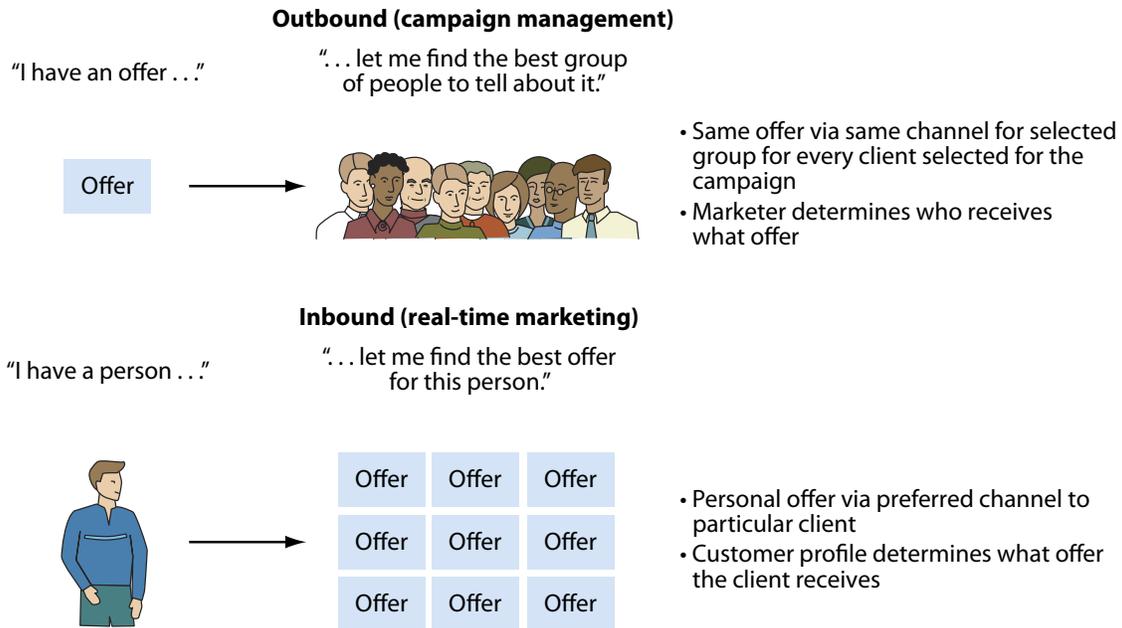
Historically, Dutch financial services group ING has operated two banks in the Netherlands: mass-market Postbank and upmarket ING Bank. In 2007, ING announced its decision to invest €890 million to rebrand and integrate Postbank into ING Bank in January 2009. As part of this integration — which involved fundamental changes to the bank's IT infrastructure, products, and channels — the bank developed a new marketing strategy that includes a new direct marketing program called *klantdifferentiatie* (customer differentiation).

ING Reorganized To Centralize Direct Marketing Decisions

ING went through a 15-month project that involved a budget of more than €5 million and around 50 full-time employees from marketing, IT, customer intelligence, and the different channels to build a state-of-the-art direct marketing program to overcome the old program's challenges. The most important project tasks were to:

- **Implement a new centralized campaign management application.** In September 2007, ING bought Unica's campaign management solution, which uses business rules and analytics to support an automated, centralized, and multichannel campaign management program in real time. The application uses historical and recent customer interaction data to produce real-time next best actions (NBAs) that are individual product offers for each customer (see Figure 1).²

Figure 1 ING Moved From Traditional Outbound To More Personalized Inbound Marketing



Source: ING

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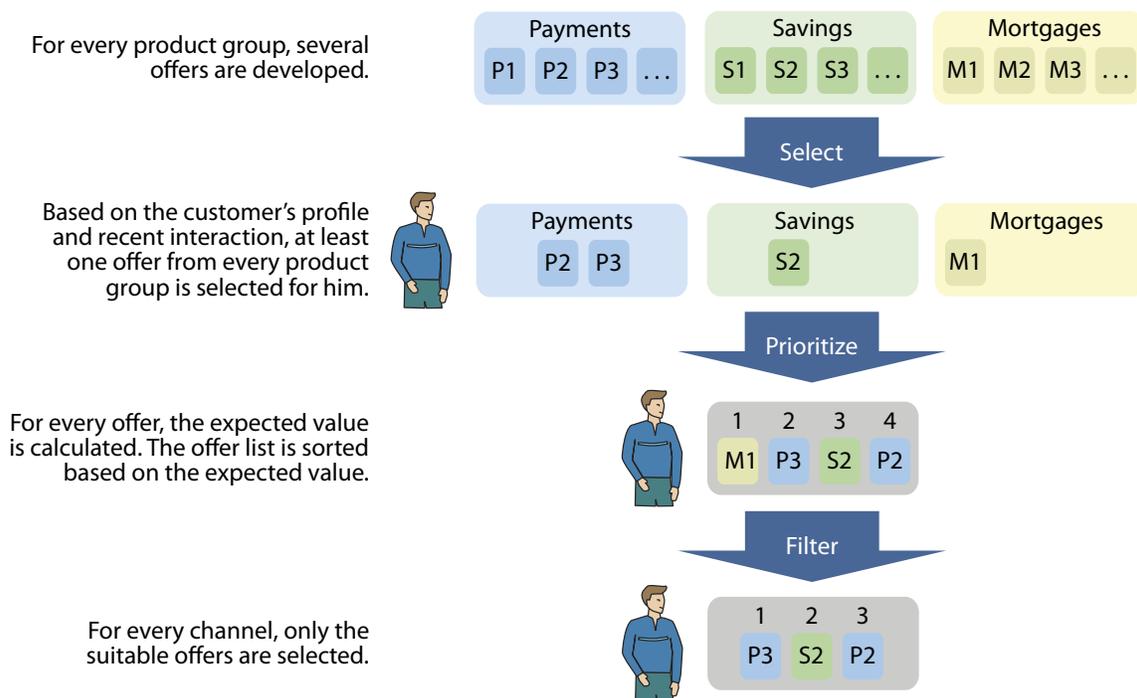
Source: Forrester Research, Inc.

- **Make fundamental changes to its processes and infrastructure.** After integrating the customer contact databases of Postbank and ING Bank, ING's customer intelligence group had to make several changes to the existing customer intelligence processes and infrastructure to support this new campaign management solution. For instance, the integrated data warehouse was modified in order to support real-time centralized multichannel campaigns, and the application also had to support new desktop applications in all 300 branches and the bank's call centers.
- **Reorganize to centralize marketing decisions.** ING made some fundamental changes to its organizational structure to enable centralized and automated campaign management. In the past, the different channels would decide which campaigns they would run. Now, a centralized customer intelligence team plans and executes all campaigns. To support this task, ING set up a dedicated "customer contact direction team" that coordinates the cooperation between marketing and channels. For ING, this meant a power shift from the channels to the centralized marketing intelligence organization.
- **Develop basic product propositions.** To make sure that the centralized decision engine makes an appropriate selection of products to offer as the next best action, product and segment managers sat together to produce around 80 initial product propositions on a client segment

level. The net present value (NPV) of each product was determined to make sure that the analytic engine proposed products that were not only attractive for customers but also profitable for the bank (see Figure 2).

- Introduce new monitoring and reporting tools.** As part of Unica’s campaign management solution, ING introduced a detailed marketing campaign dashboard to monitor all campaigns via all channels on a daily basis. Results like campaign response, sales, and NPV are monitored through the entire sales funnel and are available in one report. ING also has a comprehensive simulation tool to simulate the performance of each campaign before it goes live.
- Connect each channel to the centralized system.** In October 2008, the centralized campaign management application was connected to the direct mail and email channels. Call centers and the Web site were partially connected in February 2009.³ In April 2009, all of the bank’s 300 branches were connected to the new campaign system. Both marketing and sales people received extensive training. ING is gradually phasing out the existing campaign management tools and processes.

Figure 2 Individual Product Offers Are Based On Historical Client Data And Recent Interactions



Source: ING

55049

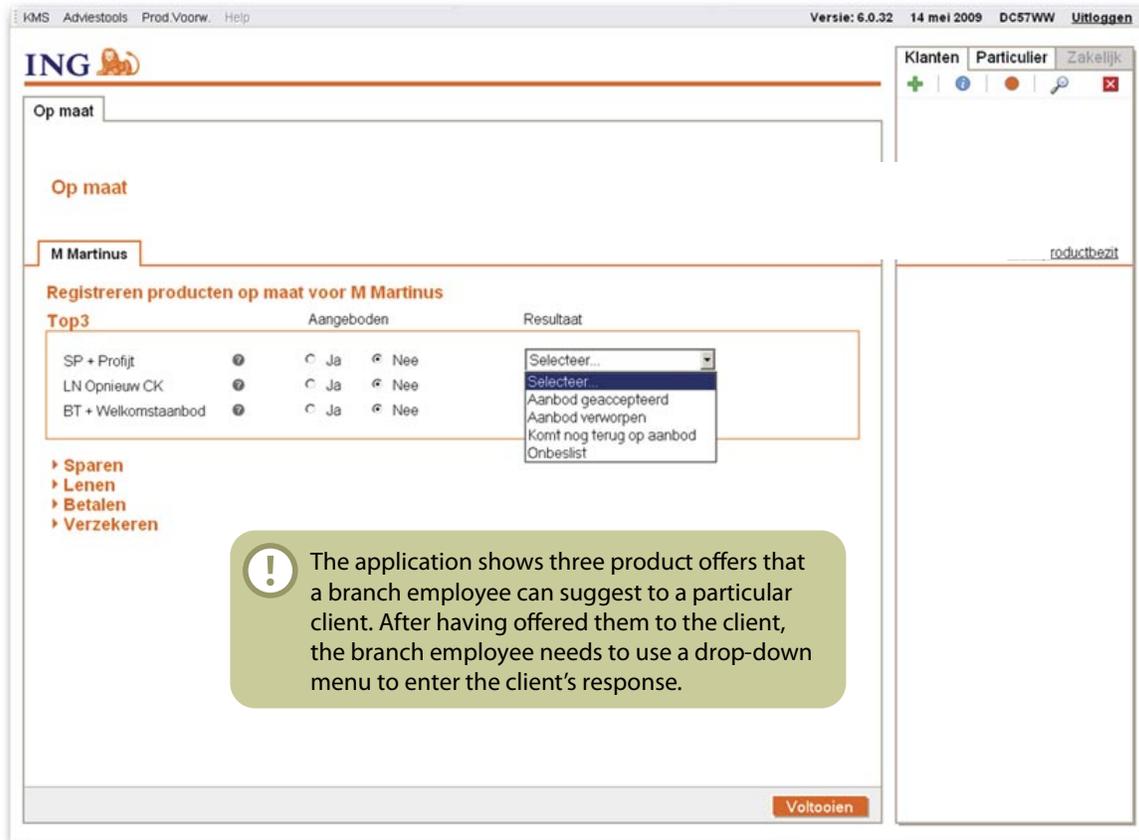
Source: Forrester Research, Inc.

ING Enabled Personalized Marketing Messages Across Channels In Real Time

ING's new *klantdifferentiatie* direct marketing program produces marketing messages that are personalized and delivered through different channels in real time. Once ING has fully integrated all channels by mid-2010, it will be able to:

- **Run campaigns via multiple channels.** Whereas ING's old campaign management program was exclusively based on outbound channels like direct mail, email, and outbound call center calls, the new program supports marketing on inbound channels like branches, the bank's secure Web site, and inbound calls to the call center.
- **Synchronize marketing across channels.** As campaign management is centralized, campaigns run as a concerted effort across channels — both inbound and outbound. For example, a customer can receive the same savings account offer through email, on the Web site, or both in succession. ING has set norms for minimum response levels for each marketing proposition to ensure that propositions are moved to channels based on minimum response rates.⁴
- **Personalize marketing messages.** Each customer receives an individual product offer based on what's already known about her and what's been learned during the recent interactions. Branch employees can now see what the NBA for each individual customer is and suggest a product during a client interaction in a branch (see Figure 3).
- **Run as a continuous dialog.** Instead of focusing entirely on ad hoc campaigns, ING's new campaign management program runs on a continuous basis. By collecting customer responses from different channels and feeding them back into to the data warehouse daily, the bank can constantly optimize the offers made to customers. If an offer is shown several times and the customer doesn't respond, another offer will be shown.

Figure 3 Branch Employees Can See What The Next Best Offer For A Client Is



Source: ING

55049

Source: Forrester Research, Inc.

RESULTS: ING HAS CUT COSTS AND INCREASED RESPONSE RATES

Although ING's new campaign management program is only fully operational in the bank's branches so far, the early results are impressive, with:

- **Higher response rates.** ING reports that the average response rate for product offers made by branch employees is considerably higher than the one achieved with traditional direct marketing campaigns. For savings accounts — which are selling well in the recession — response rates are, for instance, as high as 60%. The bank expects a €20 million increase in annual earnings through improved direct marketing effectiveness.
- **Lower direct marketing costs.** Due to increased automation and more efficient processes, ING expects a reduction in direct marketing costs of 35% per year.

- **Faster campaign cycle times.** Campaign cycle times are also affected, falling from 26 weeks to four weeks. This makes it easier for marketers to take corrective action or to integrate lessons from one campaign into the next.

NEXT STEPS: ING WILL REFINE MESSAGE RELEVANCE AND ADD OTHER CHANNELS

With the rollout of the infrastructure for the Unica campaign management solution fully completed, ING's customer intelligence team shifts focus from implementation to execution. In the coming years, the bank plans to:

- **Gradually connect all other channels.** Although the campaign management system is ready, ING still needs to make some changes to the individual channel systems to support the NBA engine. In October 2009, ING plans to roll out the tool's real-time capability for email marketing campaigns like its regular ING newsletter and campaign-driven emails. By November 2009, the bank wants to implement next best action campaigns on its secure site. By the second half of 2010, all nine channels — including the call center — are expected to be live.⁵
- **Refine the analytics engine.** The success of the new program depends on the relevance of the offers it generates. To improve relevance, ING plans to focus on improving its analytics models. For instance, the 100 to 150 models that the bank currently applies are based on direct mail response rates. The bank intends to build a range of new channel-specific and multichannel models that better reflect current customer behavior.
- **Optimize client propositions.** ING is using the tool's dashboard functionality to monitor how each client proposition performs on a weekly basis. Based on this information, propositions are eliminated and marketers create new ones, gradually improving the relevance of its offers.

RECOMMENDATIONS

CENTRALIZED CROSS-CHANNEL MARKETING IS A COMPANYWIDE EFFORT

ING has taken a bold move by implementing a centralized direct marketing program that enables personalized messages across channels. ING's example contains some important lessons for customer intelligence professionals at other firms that are planning to go through a similar effort:

- **Secure clear top-level sponsorship and support.** As the project was part of ING's major Postbank and ING Bank integration, it received all the top-level support that was required. Top-level sponsors were convinced that a new marketing program was necessary and the time was right to implement it. As a result, they have been promoting the new marketing program within all layers of the organization.

- **Involve stakeholders from multiple functions.** Implementing a centralized multichannel marketing program involves many different functions within the organization beyond marketing intelligence. Instead of having one team drive the project in isolation, ING set up a cross-functional project team that included people from customer intelligence, IT, marketing, and all the different channels to collaborate on the effort from day one.
- **Prepare for organizational change.** By far the biggest challenge of the project for ING was the organizational change that it required, resulting in a gradual shift of power and responsibility from the channels to marketing. A lot of training and education was required to overcome resistance to change from different parts of the organization — and this effort is still ongoing.
- **Expect a substantial operational effort.** Running a centralized and continuous direct marketing program requires a lot of effort on a daily basis. Campaigns need to be monitored, new propositions need to be developed, and analytical models need to be created or refined. ING's customer intelligence team didn't initially expect that such an enormous level of effort would be required to do this effectively.

ENDNOTES

- ¹ Most firms use or plan to use inbound customer interactions as an opportunity to cross-sell and upsell their products and services. Inbound channels are attractive to marketers — there's no clutter to cut through. But marketers who use these channels just to push more products risk creating negative customer experiences, lowering customer satisfaction, increasing attrition, and degrading their brands. To avoid these potential pitfalls, firms should evaluate interaction management software that applies business rules and real-time analytics to a customer profile made up of historical and contextual data. See the January 9, 2007, "[How Technology Enables Inbound Marketing](#)" report.
- ² All customers are scored every night based on historical client data in the first loop. In the second loop, all customer contact information collected during the day is used to optimize the NBA ranking. After a list of NBAs is created, the different products on the list are ranked according to the NPV for the bank. The tool also supports event-driven marketing campaigns.
- ³ Both the call centers and Web sites receive the NBAs in the form of a batch file. This means that they don't support the real-time and two-way dialogue capabilities of the program yet.
- ⁴ For instance, mortgage campaign — which is expected to result in tiny response rates — might not be run via the branch network, as the relatively small number of contacts would produce limited returns.
- ⁵ Ultimately, ING will integrate all of its nine channels. These are: direct mail, call center, Internet, branches, mobile sales force, email, SMS, brokers, and ATMs.

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400 Technology Square
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Tel: +1 617.613.6000
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