



Book The Orange Code

How ING Direct Succeeded by Being a Rebel with a Cause

Arkadi Kuhlmann and Bruce Philp
Wiley, 2008

Recommendation

To say that ING Direct is not a traditional bank is a gross understatement. Most banks offer a bewildering multitude of financial products accompanied by add-on fees. Not ING Direct. It focuses on one thing: saving money in simple, high-interest savings accounts. Traditional banks operate from formal offices with tellers behind bullet-resistant glass and managers seated in cubicles, but ING Direct conducts much of its banking business from sleek caf  s that offer coffee and luxury brands of tea. In each of its branches in the U.S., Canada, the U.K. and Australia, it offers customers light snacks, free computer stations, conversation-zone seating and kitschy ING Direct merchandise. In this book, two imaginative business geniuses, Arkadi Kuhlmann, ING Direct’s iconoclastic “CEO of Savings,” and Bruce Philp, co-founder of GWP Brand Engineering, the firm’s marketing agency, explain how they started this innovative “un-bank,” how it operates and what its guiding principles are. Perhaps no institution could be quite as rosy as this insider-written corporate bio suggests, but if you want to shake things up in your corner of the professional world, *BooksInShort* suggests this idiosyncratic book about a bright, bold business.

Take-Aways

- ING Direct has been a banking industry anomaly since it opened in 1997.
- For example, it does not criticize its competitors, it turns away customers who do not fit its precise profile, it doesn’t charge added fees and it maintains a flat hierarchy.
- ING Direct offers high-yield savings accounts and treats all customers alike.
- GWP Brand Engineering developed ING Direct’s distinctive “orange” ad campaign.
- GWP advised ING Direct not to build an image based on hype.
- The “Orange Code” outlines the principles guiding ING Direct bank.
- It promises that ING Direct will innovate, question its assumptions, keep learning and focus on the future, not the past.
- ING Direct follows the Orange Code to try to create a culture that employees and customers will want to join.
- It uses technology, simple processes and cozy caf   settings to make banking enjoyable.
- ING’s bold strategy, customer orientation and distinctive marketing have made it North America’s largest Internet bank and 10th largest mortgage-issuing institution.

Summary

“You Want to Open What Kind of Bank?”

In July 1996, GWP Brand Engineering, a boutique advertising agency in Toronto, received an invitation to present creative marketing ideas for promoting a “new direct banking venture.” The request came from Netherlands financial giant ING (Internationale Nederlanden Groep), which planned to start a financial institution in Canada. Bruce Philp, GWP’s co-founder, knew that ING faced a rough task. Entrenched Canadian banks would muster enormous financial resources to thwart a new competitor. Canadians would not look kindly on the incursion of a Dutch start-up. And of course, consumers in Canada, as everywhere else, tend to detest banks in general, regarding them as unfeeling, heartless oligopolies.

“When consumers saw what ING Direct had to offer, their first thought wouldn’t be about the value of the product; it would be to wonder what ING was

up to.”

Why, then, might Canadian consumers welcome a new Dutch bank? Perhaps they would extend a warm welcome once they learned that ING planned a start-up that was quite different from the standard “Soviet-esque bank branches.” In fact, ING did not want its new bank to resemble a conventional one in any way. Like public utilities, standard banks are pretty homogenous. They provide similar, unremarkable and, thus, commoditized services. Further, traditional banks do not organize themselves to offer customers a rewarding experience with every transaction. Indeed, although veteran bankers may disagree, old-line banks tend to take their clientele for granted, which makes customers’ wishes effectively moot. Standard banks pride themselves on their smooth operations, not on meeting their customers’ needs.

Not an Enterprise, but a Mission

Arkadi Kuhlmann, ING Direct’s CEO, envisioned a new bank that would transcend the normal business venture. His radical plan was to empower customers to save money. Kuhlmann intended to organize all of the bank’s activities and marketing around this mission. It would offer an exceptionally high return on savings accounts, making an attractive interest rate available to all customers, regardless of the size of their deposits. There would be no fees or service charges. At ING Direct, one size would fit all.

“This has not been only about reinventing banking: It has been about inventing a new way to create any product, constitute an organization to deliver it and then take it to market.”

Kuhlmann planned to make every step of the banking process remarkably straightforward (that is, direct) for his customers. They would be able to do much of their banking by mail, telephone and the Internet. ING Direct, the “un-bank,” would simplify everything. Indeed, paperwork would barely exist. Kuhlmann’s vision was simple: ING Direct would create a totally satisfying banking experience for its customers. He wanted it to work like a superior retail organization, where everything revolves around the customers and what they want. A tall order? Yes. But Kuhlmann believed that advanced technology could make it all possible, including superior marketing and branding.

A Radical Marketing Plan

That is where GWP came in. GWP, a small boutique marketing agency, was competing against two large, well-known, highly respected agencies for the ING account. To get ING’s business, GWP had to pitch it twice. GWP’s main marketing message was that the start-up’s brand could not be just a creation of hype. It had “to speak through every experience, every transaction, every exposure” to a customer. If that wasn’t radical enough, GWP told ING that it needed to base its marketing on certain principles. For instance, it should not attack its competitors or focus on target groups. Instead, “the people who belong at ING Direct will find us.” Finally, instead of developing a brand, ING should create a culture people want to join. That would be its brand.

“ING Direct was not, in fact, wading ashore with bags of gold to finance a marketing invasion.”

GWP’s second pitch persuaded ING to select it over more established competitors. In terms of the actual creative work, ING Direct adopted the majority of GWP’s recommendations. GWP convinced ING to use a special “spasm-inducing” orange for its logo, and all of its marketing and advertising. “It was everywhere in this campaign: on billboards, on the street, on the coveralls of the spokesperson,” says Philp. And so it remains. Indeed, thinking of ING Direct without its distinctive, high energy, signature orange is nearly impossible. Orange is ING Direct’s recognizable advertising brand. It owns that bright color today, tomorrow and forever.

Up and Running

ING Direct opened for business in Canada in April 1997. By December, the bank had nearly \$500 million in deposits; by November 1998, that had grown to more than \$1 billion. By the end of 1999, it had more than \$2 billion on deposit. Clearly, ING Direct’s novel strategic plan and GWP’s brilliant marketing campaign both hit their targets as it quickly became a top achiever among Canadian banks. ING Direct did the next-to-impossible. It developed a market – in this case for high-yield savings accounts – where none had existed. In effect, it created its customer profile from the ground floor. Philp explains, “ING Direct was created for someone called the saver, a creature that, when the bank launched, seemed Sasquatch-like in its rarity and reclusiveness, if it existed at all.”

“Customers are always watching and they never forget.”

ING Direct USA began operations in the U.S. in August 2000. Within six months, it had \$1 billion in deposits and 100,000 customers. Operating from its trendy, sleek cafés, ING Direct is now among the top U.S. banks in terms of deposits. Only nine other U.S. lending institutions originate more mortgages. ING Direct has seven million U.S. customers and is North America’s largest Internet bank.

The “Orange Code”

ING Direct operates by a set of precepts called the Orange Code. This statement of noble principles is the bank’s vital constitution. The Orange Code reminds everyone associated with ING – employees, executives, customers, investors – what it represents. The Orange Code embodies ING Direct’s essence, its meaningful soul. You cannot understand ING Direct without understanding its vaunted Orange Code. Here is what it says:

- **“We are new here”** – This mind-set shouts to the world that ING Direct is conscious that every day is a new day, with fresh challenges that require a renewed daily commitment. ING Direct sees itself as having embarked on a special “Orange Journey” with its customers. Each day brings something exciting and novel, and each day, ING Direct puts aside old assumptions and ways of doing things to strike out in new directions.
- **“Our mission is to help people take care of the wealth they make”** – At ING Direct, helping customers save money is the institution’s most essential guiding principle. Indeed, savings is ING Direct’s *raison d’être*. It believes the sustaining lesson that spending is easy, but saving is vital. ING Direct’s high interest rate on savings accounts makes saving money not only sensible but also “cool.”

“The Orange Code is real. It’s not marketing, even though it is our brand.”

“We will be fair” – A bank that treats a customer with a small account the same way it treats a customer with a large account is highly unusual, but that is ING Direct’s creed. Everybody gets the same rate and the same service. Consider this call the bank received from a potential customer (PC):

o PC: “Is this ING Direct?”

o ING: “Yes, how can I help you save your money?” o PC: “I want to invest \$1 million in one of your accounts. Got that? \$1 million...So, what is your rate?” o ING: “It’s 5.25%.” o PC: “Yes, I saw that in the ad online. But what is my rate?” o ING: “That’s the rate, sir.” o PC: No, look, I think a higher rate is in order. It’s \$1 million.” o ING: “No, I don’t think so.”

“While ING Direct is for everybody, not everybody is for ING Direct.”

The caller was stunned. Wasn’t his \$1 million account more important than an account from someone with only \$100 to save? Not to ING Direct. The perplexed millionaire did not become a customer of the bank. ING Direct is confident enough of its vision and business model to turn away potential customers who expect special treatment because they are wealthy. “It’s hard to tell them that there is only one way and that they need to get in line like everyone else,” says Kuhlmann.

- **“We will constantly learn”** – ING Direct is a “learning organization,” always ready to update its operations, policies and activities. Clients quickly understand ING Direct’s learning tradition. Thousands of e-mails from customers say that, thanks to the bank’s basic savings message, they are learning to save money and use it more wisely.
- **“We will change and adapt, and dwell only in the present and in the future”** – Although the company is proud of what it has been able to achieve with its revolutionary banking model, it does not spend time thinking about its past accomplishments. At ING Direct, it is the future – not the past – that counts. The bank focuses on new ideas and ways of doing things. For example, it was ahead of its time in flattening its internal hierarchy. Titles are unimportant. Everyone is an “Associate.” As CEO Arkadi Kuhlmann explains, “We all have an equal stake in the company.” Of course, this approach runs directly counter to that at most others firms, where executive vice-presidents abound. At ING Direct, rank, status, pecking order and corner offices are not meaningful.
- **“We will listen; we will invent; we will simplify”** – Every business promises to listen to its customers. ING Direct posts an important qualifier: it is not willing to listen to all of its customers, only those who “want what we are trying to build.” ING Direct put this philosophy to work when it bypassed established ad agencies to select GWP Brand Engineering to handle its marketing. Kuhlmann likes GWP because it “adds value” yet lets the bank “remain true” to itself. When GWP presented its marketing plans to ING, the agency was not willing to compromise its vision for the bank, even if it did not win the account. ING Direct has the same idea about customers. It provides a simplified savings product without the costs and fees many banks charge. It wants to serve only those customers who appreciate the value of its approach, but not those who expect – or demand – that ING Direct will compromise its nature in the name of traditional banking.
- **“We will never stop asking why or why not”** – If a company, no matter what its industry may be, is frightened to question stale assumptions or long-standing procedures, it will stultify. Organizations cannot grow or improve without examining why things are done certain ways. Asking “why” is how ING Direct builds its business.
- **“We will create wealth for ourselves...by creating value”** – ING Direct’s approach to making a profit is the opposite of how most traditional banks operate. Kuhlmann explains that, generally, banks “start by gathering assets – loans – and then funding them cheaply.” The ING Direct business model – providing savings accounts with high yields – turns this standard procedure around. ING believes that its unusual approach, based on providing superior value to customers, can also provide superior profits.
- **“We will tell the truth”** – Veracity can be a tough path. That is certainly the case for ING Direct’s mortgage business. The bank only gives mortgage loans to customers who have strong financial resources (the savers) and can muster sizable down payments. Turning down mortgage applicants who do not meet its criteria is not easy, since that frequently involves a frank, truthful and often painful conversation. But that is the only way ING Direct does business.
- **“We will be for everyone”** – This sounds maddeningly vague, but it isn’t. As Kuhlmann explains, “To be our customer, people need only a dollar and the will to be independent.”
- **“We aren’t conquerors – we are pioneers; we are not here to destroy – we are here to create”** – ING Direct does not focus on its competitors. It focuses on its customers. At the same time, it uses advertising to educate consumers so they know a good banking deal when they see one.
- **“We will never be finished”** – Clearly, ING Direct represents the antithesis of “static” and “entrenched.” It does not rest on its laurels; instead, it moves ahead, looking imaginatively to what the future holds. It is on a mission to help people save, and thus enrich their lives, a mission with a strategic business model at its core.

About the Authors

Arkadi Kuhlmann is the founding CEO of ING Direct USA. He is a former professor of international finance and investment banking. **Bruce Philp** is the founding chairman of GWP Brand Engineering. He is an expert on corporate branding.
