

Corporate Change After the Global Financial Crisis: A Case Study in Direct Banking

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Abstract

This paper examines the strategic response of the Dutch bank ING to the global financial crisis. Prior to the crisis, ING was a prominent global exponent of direct banking, using the so-called pure play internet (PPI) business model. PPI banking is a hybrid business model that combines features of relationship and transaction banking. Downsides of this business model are that it may lead to overexposure in securities and that it may attract savers that have an above-average sensitivity to interest rates or risk. Using data on the geographical activities of ING, the timeline of relevant events in the history of ING and strategy statements of ING management, we examine how ING has responded to the strategic challenges of the crisis. We conclude that PPI banking should be viewed more as a market penetration strategy than as a full-blown business model that is tenable in the long run.

Keywords: Financial Stability, Direct Banking, Business Models

JEL Classification: G01, G21

I. Introduction

The idea that any bank can easily enter new markets through digitalization still captures the imagination. In a recent interview, Andrea Enria, the newly appointed chair of the ECB's Single Supervisory Mechanism, argues that online banking services can increase the volume of cross-border banking in Europe (Financial Times 2019). As an example he takes the Dutch bank ING, which has a track record of capturing business in mature banking markets by offering online-only savings accounts. More than 20 years ago, ING started offering online-only banking services in Canada under the brand name ING Direct. Up to the start of the global financial crisis in 2008, ING Direct experienced strong growth in major developed banking markets, by offering simple banking prod-

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