

Be bold enough to attack your own earnings model

In 2013, the FD spoke to eight directors of large businesses about Europe. This year, the Holland 8 are talking to young entrepreneurs about entrepreneurship.

Today, the final instalment: Ralph Hamers (ING) and Ilja Bobbert (Aseptix)

At the kick-off, with the coffee scarcely poured, Ilja Bobbert outlines his dilemma. The chemical business that he set up ten years ago, Aseptix, has produced two children. Both are successful, except one is growing a lot faster than the other. What to do? Press ahead with both or make a choice? Bobbert has opted to look for a partner for the part of the business that makes own-brand disinfectants for hospitals and pharmaceutical companies.

This will allow him to concentrate on the other activity: selling licences to large companies such as Beiersdorf, Reckitt Benckiser and Clorox. These businesses use patented technologies in shampoo, hand soap and other hygiene products. 'We can't compete against these licences with our own products. If one of these companies uses a licence with one of its leading brands, it puts its marketing power and brand reputation behind it.'

Ralph Hamers, who has been CEO of ING since October, understands only too well where Bobbert is coming from. And he doesn't mean choosing between the insurance business, Nationale-Nederlanden, and ING Bank, even if his background is with the latter. No, it's about the trend for fewer, but larger brands. Brand perception is also a key element of his strategy. 'Take our bank in Germany. Over a period of 15 years, it has grown into the third largest bank in the country, with eight million customers. A thousand new customers come to us every day. That's got nothing to do with price competition, because we are not allowed to that in Europe. It is about the brand. That's what we focus on, too. We look very carefully at the 'net promoter score', which measures whether your customers promote your brand to others. In all our markets, we also measure the consideration of consumers to become a customer. Brand and brand perception are crucially important to our retail bank. For the business sector, it's reputation, reliability and predictability.'

IB: 'And where is your focus?'

RH: 'Half and half. But most of our growth is in the retail market.'

V This trend towards a handful of large brands is not without risk. It just takes one small thing to go wrong.

IB: 'Reputation is very important for these businesses. They really put us through our paces. Does the consumer understand what we've developed and what benefits it offers? Does it also fit with the perception and reputation of their brand? It is therefore crucial to us that we understand what our customers want.'

RH: 'We measure customer perception by the second, for example on social media. If a person tweets negatively about us, he or she will receive a response asking: can we help you? It's a new way of communicating, whether you like it or not.'

V Both of you have a lot of contact with regulators and regulation. Does that hinder innovation? For example, the precautionary principle that says that you cannot market anything that is harmful to humans and the environment.

IB: 'Small companies are much better able to respond to this than the large players. We were quick to spot the trend for safer and more environmentally friendly pesticides and that hospitals, among others, were experiencing difficulties with unsafe disinfectants, whereas the need was increasing owing to outbreaks of diseases such as Sars and now the lung virus, Mers. For example, lots of hand soaps contain an ingredient that has been shown to cause breast cancer. But you need to have an alternative that is simple and effective. We've got that now.'

V But how do I know that it won't cause lung cancer in ten years' time?

IB: 'Because the basic ingredient is something we've been working with for a long time. It has been used as a wound antiseptic since the 1920s. It is just that it wasn't effective enough and not stable for use with large

doses, but we've come up with a solution.'

V Why are you better at it than the large companies?

IB: 'Large companies don't see the opportunity until there is already a problem. We were new, were not hampered by a legacy of existing activities and can look at the developments with a fresh pair of eyes and move quickly.'

RH: 'There are two elements. Large companies find it difficult to attack themselves. Even if you are innovating, you still need to have the courage to produce something that threatens your own product or earnings model, even if that has a high margin. I always say: Disrupt yourself before somebody else does it. Cannibalisation is not a bad thing. We need to have the courage to introduce something, even if it is detrimental to the margin, if we feel that's where the trend is heading.'

'The other aspect is a cultural one, which as a country, the Netherlands also has a problem with. Success versus failure. Large companies find it difficult to stop a project and to recognise that it has failed. I always say: Dare to fail, but do it fast, because it won't cost as much then. Employees at large businesses find that difficult to admit, because their career also plays a role as well as office politics.'

IB: 'We've got a large customer in the US: Clorox. They have annual chlorine sales of USD 1.8 billion. Chlorine is not safe and we offer a sustainable chlorine-free alternative. Initially, they weren't interested because they were afraid of cannibalisation. At the time, I put the example of Kodak to them. You're better off making yourself superfluous than somebody else doing it, because then at least you've still got your own brand and your market position.'

RH: 'if you're a large player in a mature market, you work really hard all year round and at the end of the journey, your market share has risen or fallen by 0.1%. In Belgium, we're big with our branch network, but we introduced the internet concept nevertheless, despite the cannibalisation effect. By doing this, our market share rose 2 to 3% in five years and we have gained 25% more customers in a market that was well and truly stuck.'

V You were talking about the Dutch attitude to success/failure?

RH: 'Entrepreneurs like Iija are driven to come up with new things. You'll get there if you just stick at it. But on the way, you'll fail a couple of times. In the Netherlands, that's the end of the line.. This is also because we don't like it here if people are very successful, for example if they have financial success. This attitude erodes some of the drive to do business.'

IB: 'The Netherlands doesn't have a culture of embracing success. It's one of the reasons why we don't publish our profit and turnover. There is no hero culture as there is in the US. To be really successful, you need to be prepared to make several attempts. At Aseptix, we're very good at being prepared to stop projects on time and to write off the loss. People don't like big successes, even within your company. With success, they also measure whether there's anything in it for them. But they forget that if you ramp up the salary base, you'll find yourself in great difficulty at times of crisis'

V Back to regulation. Does it limit the dynamism in a sector?

IB: 'it's a barrier for new entrants. It is very expensive to get approval for our products. It is still regulated nationally, even in Europe. In the US, the tests are different from those in Europe or India. It takes time and costs a lot of money and manpower, but there is also a positive side. It is an asset if you're successful. And it keeps the cowboys out of the market. There is a lot of rubbish in the market, which has a heavy toll on the environment. Lake Geneva contains persistent chemicals that will never disappear from the lake.'

IB (looks at Hamers): 'is regulation going to far for you? I hear from my people that everything has to be reported: HR. (Yes, says Hamers). Planning. (Hamers nods). Remuneration (he nods again). New products (nods).'

RH: 'Everything, everything, everything. This is the pendulum following the worst crisis since the war. Every form of remuneration or conduct or initiative has to be reported. I understand that, things went majorly wrong. But, in the longer term, you shouldn't want to dictate everything. It strangles any form of creativity. As a country, we've taken too much of a lead when it comes to regulation and supervision. As a sector, it makes us less attractive to talented individuals.'

'I think we should make a distinction between large and small banks and newcomers. But the discussion about buffers is now mostly being led from the perspective of the system risk and consequences for the government and taxpayers and less from the perspective of consumer protection. Why should a small bank need extra buffers?' (The DNB requires large banks need to have extra capital buffers, ed.).

V Are there any Asepticises in the financial sector?

RH: 'Yes, there are hundreds of them, with new ones appearing every day. Google, Paypal, Square, Mint, Lending Club, Kickstarter. Everything and everybody is attacking the financial sector. Nine months before I became CEO, I was in Silicon Valley. It was hugely inspirational. They have plans to lease cars for half a day, even for five kilometres. There are all kinds of insurance initiatives. Disruption is what they do. They come up with a new earnings model in existing, large markets. It's less risky than creating an entirely new market. You know there's a market, You just need to make improvements. This is how you can earn an awful lot of money with a 1% market share. I'd like to have a bit of that culture at ING. We did it with ING Direct and we need to nurture that kind of innovative thinking.'

V If you were Prime Minister and Minister of Economic Affairs for a day, what would you change first?

IB: 'Education is hugely important, but I would like to inject a focus. We've got nine very large leading sectors. That's typically Dutch. It means we're not really focusing on anything. We're not choosing. Why don't we do like the NOC*NSF does with elite sport? The Sports agenda for 2016 focuses on sectors and athletes with chances of a medal. So do the same thing with innovation. We are far too afraid of leaving out sectors or insulting people.'

RH: 'What we're good at is not necessarily where we are big. And vice versa. And it doesn't mean to say that you'll still be big in the market in the future. It's all to do with being prepared to cannibalise. We are far too defensive, we think too much about losing jobs.'

V But what would you really like to change?

RH: 'I'd like us not to stigmatise failure. To see it as an encouragement to succeed. I'd like us to dare to celebrate success, even if it is accompanied by major financial success. In the US, an investor says to an insolvent entrepreneur: I've invested USD 10 million in you. If you come up with another good idea, get in touch because I'm USD 10 million short. It's paying your dues, but I'd like to make a return on you.'

V Is it easy to recruit good people?

IB: 'Not really. Sometimes I take on people even if I don't really have any work for them, because we want them for the future. Because when I look for somebody, I often can't find them. Young people often want things easy. They don't want to work too hard, but do want a good salary, The attitude is: you should be pleased that I'm coming to work for you. Then I sometimes think: you should be really grateful that you've got a job.'

RH: 'I agree. You don't expect a 25 year old in their first job to want to work four days a week. They want a nice work-life balance. Our generation is not used to that at all. On the other hand, the new generation is much more value-driven than money-driven. They want to do something valuable and become motivated if as a bank you want to contribute to society.'

Ilja Bobbert

After studying chemistry and business management and gaining an MBA from Nyenrode, Bobbert (1975) quickly discovered his calling. He became a partner in Holland Venture, an investment fund involving ABN AMRO, ING and Fortis. With his business partners, he went on to set up a trio of small companies in various sectors. Since 2005, he has headed up Aseptix. He doesn't work in the lab himself, but does help to guide the direction of innovation. In his leisure time, Bobbert is a very keen cyclist.

Ralph Hamers

Born in Simpelveld in 1966, Hamers studied business economics. He was a university researcher, logistics manager at General Motors and dabbled in accountancy, before joining ABN AMRO. He joined ING in 1991, starting at Structured Finance. He was general manager of the bank in Romania, of ING Bank Netherlands and of ING Belgium. People praise his drive and eye for commercial innovation.