An Intelligent Approach to TransPromo

Breakthroughs in relationship marketing are transforming the role of transaction mail—and those who manage it

WHITE PAPER

Executive Summary

Customers today are drowning in a sea of unrelated marketing campaigns, while scams and spam do little to create an environment of trust. Every day companies invest in new communication initiatives and alternative channels, trying to break through the clutter and attract new business.

Over the past 18 months, however, a combination of new technologies, postal changes and market conditions have created an environment where transaction documents — statements, invoices and notifications — are proving to be effective at generating sales and long-term relationships. What's new is that companies are starting to use these communications to create ongoing, sustainable customer dialogues in what some have dubbed the TransPromo Revolution.

While companies have been adding promotional messages to statements for decades, today's leaders are taking steps to make these messages personal, timely and relevant. By leveraging communication intelligence in the mailstream, these innovators have successfully transformed transaction documents into powerful strategic assets.

One of the most significant developments has come in the application of location intelligence — where businesses are using precise location data to not only target more effectively — but also to learn more about the needs, desires and spending habits of their customers.

This White Paper examines the changes that are taking place, the factors that drive success, and the growing importance of statement management in this new TransPromo world.

TransPromo Makes Statements More Relevant

In simplest terms, TransPromo is the combination of transactional information with promotional materials in a single document. Or in other words, using statements and invoices as a marketing vehicle.

While the current industry buzz refers to a "TransPromo Revolution", this evolution has been in the making for some time. Statement inserts, for example, have been used by some businesses for over sixty years.

1. **Unrivaled Openability.** Statements and invoices are expected — they contain important financial information and usually require action. So it's not surprising that more than 95% of transaction documents are opened and read each month — far more than any other type of direct response effort.[1]

2. **High Involvement.** Bills and statements receive more attention than any other form of communication including television advertisements.[2] The average customer invests between one and three minutes for statement review.

| Static Statements | Static Statements with Generic Inserts | Variable Messaging & Targeted Inserts | TransPromo Statements | Relevant, Personalized TransPromo | The TransPromo Evolution |

Satisfies obligations to customers and regulatory agencies.

Enclose pre-printed materials in a low-cost "mass marketing" effort.

Segmenting of customer list so that each person does not receive the same insert. Maybe three segments are defined, with selective inserting and variable on-line statement message.

Promotional pieces, sometimes called "onserts", printed right on the statement, making it easier to increase targeting and integrate transactional and promotional messages without adding print costs.

Use of the entire statement to integrate targeted, relevant, action-oriented promotions based on individual demographics, preferences and sales opportunities.

Cost-based activity ⟶ **Revenue-generating activity**

What's new today is that you have the ability to create marketing messages that are just as personal and relevant as the transaction information enclosed. And as relevancy increases, your profits can, too.

When you look at your statement as a strategic document, you can develop communications that recognize and act upon specific opportunities to increase customer value and long-term profitability. For those who manage statement operations, this transition requires a new mindset. In the past the focus was on cost per piece — today managers are measuring cost per response as well as customer loyalty and retention. What they're finding is that TransPromo documents are not only more cost-efficient compared to other media — they can be far more effective, too.

The Five Reasons Why Statement-Based Marketing Works

Because other channels are plagued by spam filters and do-not-call lists, statements are becoming an even more valuable component of the overall communication mix.

3. **Trusted Media.** While e-security and telephone fraud continue to make headlines, nearly everyone trusts the postal service to send and deliver mail — including highly important documents.[3]

4. **Functionality.** Not only do statements command more attention when they are initially opened, they are often viewed more than once. The paper-based nature of transaction mail is valued by consumers as they pay bills, submit expense reports, prepare taxes and file documents.

5. **Greater Returns.** As you're already mailing statements, this is one of the most cost-efficient communication channels. Statement-based marketing is also more effective simply because of the target audience: current customers. A five percent increase in current customer business can translate into as much as a 50 percent increase in bottom-line profits.[4]

And while customers may be inundated with as many as 3,000 advertising messages a day[5], the average consumer will receive less than 12 transaction mailings in a month — making each one even more valuable to those interested in building stronger customer relationships.

[1] Irongate Digital Solutions, TransPromo Overview, www.irongatedigital.co.uk
[2] Group 1 Software, Inc., 2004 Research Study
[3] InfoTrends, Inc., The Future of Mail 2006
[4] Jack Schmid and Alan Weber, Desktop Database Marketing
[5] David Shenk, Data Smog: Surviving the Information Glut

Given Recent Events, Businesses Are Choosing To Act Now

While the underlying concept of TransPromo has been around for decades, the recent surge of investment in this area is not surprising. Returns on statement-based marketing efforts are making headlines — to the point where over 64% of businesses report that they have, or are about to, leverage their transaction documents for marketing.[6]

Why this sudden interest? A series of events — including new technologies, regulatory changes and market realities — have created an environment where transaction documents are now seen as critical to achieving overall corporate objectives.

- **Proven value of relevancy**
  Business heads no longer need to be convinced about the power of personalization. Today the market realizes that better use of relevant, variable messaging can increase revenue, order size and response.[7]

- **A more complex competitive landscape**
  Banks now offer insurance. Telephone companies provide cable TV service. Out-of-state energy firms are soliciting in-state customers. Every industry is facing new competitors and new cross-sell opportunities. This creates added pressure on customer retention — and a new-found interest in share of wallet.

- **Advances in color variable print**
  While color is not required for TransPromo, it can create a stronger impact. Studies show that the effective use of color and personalization outsells traditional black and white messaging by up to 80% or more.[8] And the costs of color variable print are coming down rapidly. In a recent cost analysis conducted by InfoTrends, the difference on a four-page document was calculated to be only 6.5 cents.

- **Ability to more easily access customer data**
  The latest data integration solutions make it easier to create a single view of customers. On-demand customer analytics provide for real-time segmentation — so business units can identify and target customers more effectively, with no need for ongoing IT support.

- **Postal rate increases**
  Under the current USPS rates, businesses are given incentives to do more with existing communications. While the postage costs on nearly every class of mail increased — and in some cases nearly doubled — it is now less expensive to send higher-weight letters.

- **Hard-dollar results**
  Published reports detail specific examples of how companies are using TransPromo documents to generate greater ROI's than with other media choices — along with increased returns on investments previously made.

Technology in Action

Around the world, Pitney Bowes provides the insights to make more effective decisions and the means to execute a broad range of TransPromo strategies.

A global credit card company has satisfied customers and merchants by targeting messages based on spending habits including geo-relevant data. For example, New York-based customers who travel frequently to England may receive promotions from London-based retailers.

A major service bureau serving the cable and telecommunication industry now prints dynamic messaging in color and black and white, segmenting offers based on specific customer preferences.

A transportation company provides consistent, targeted content across both paper and e-based communications gaining the frequency needed to upsell more effectively.

A travel-oriented firm has merged personalized up-sell and information messages based on travel details and demographics — integrating communications across statements, luggage tags, resort guides and check-in slips all in high-quality color.

A leading financial services firm has eliminated color reprints, and can now route files, process data and apply full color overlays to generate personalized statements using advanced document re-engineering software.

A print and mail operation can now accept more robust data and file formats from their clients, offering a higher level of value based on capabilities that include color variable print.

A telecommunications company reorganized their monthly statement to improve readability and reduce paper costs, adding unique offers based on each customer's profile and geography.

[6] Info Trends, Inc., The Future of Mail 2006
[7] Ibid
[8] Eastman Kodak company, Kodak's Roadmap to Color

Key Considerations in Today's TransPromo World

While cost and technologies are no longer significant hurdles, companies must still overcome challenges if they are to advance their TransPromo efforts. Each company may face unique issues, yet virtually all will be faced with the need to:

1. Organize around a new marketing mindset
   Effective TransPromo goes beyond product marketing to incorporate Product Lifecycle, Brand Relationships and Personal Preferences. To make the switch from campaign marketing to true relationship marketing, companies must overcome organizational roadblocks — often integrating teams across IT, marketing and operations. In many cases, statement managers will take on new roles and may need to establish protocols and processes to overcome inter-departmental hurdles.

2. Leverage existing data in new ways
   The necessary customer data already exists, but for most companies this information is stored in disparate systems using inconsistent formats — and that makes it unwieldy if not impossible to get the answers you need. By creating a single view of your customers, however, you can turn this disparate data into actionable information.

3. Keep your eye on cost reduction
   In recent years, statement managers have been focused on statement clarity and cost management. New TransPromo efforts should embrace these same goals. Efforts to add personalized, variable messaging and color graphics to statements should be designed in ways to improve the effectiveness of your documents in terms of invoicing, remittance, etc. Likewise, you should calculate the savings you can achieve in making the transition from pre-printed forms to fully variable print. For example:

   • Reduced footprint of print operations

   • Lower warehousing expenses

   • Increased throughput and productivity

   • Greater flexibility

   • Reduced call center expense (fewer calls)

4. Build cross-channel reporting and metrics
   Companies realizing the greatest success through TransPromo have been able to build momentum throughout their organization by documenting success. Establishing measurable objectives — and then tracking results over time will provide you with the feedback you need to make adjustments and fine-tune your approach. This requires an ability to provide consistent messages across channels and monitor customer activity whether they respond via mail, online, over the phone or in person.

Any solution designed to support your TransPromo efforts must increase your ability to cost-effectively create more personal, timely and relevant communications. Fortunately, enabling technologies that address these needs have already proven themselves in their ability to boost customer acquisition, build customer loyalty and reduce costs. Their roots are in customer communication management which provides — via *location, customer, production and channel intelligence* — a strategic framework for optimizing customer touch points.

Communication Intelligence: The Driver of TransPromo Success

An effective TransPromo strategy incorporates all facets of communication intelligence: an understanding of customer needs, an ability to cost-efficiently produce personalized communications, and the know-how to manage and distribute these communications across multiple channels.

Location Intelligence: Unlock the power of 'where'.
Location-based information is fast becoming one of the most valuable assets in marketing segmentation and decision making. Not only can you identify sales opportunities by pinpointing proximity to retail locations, competitors and partner sites — you can increase your understanding of customer demographics, preferences and spending habits.

• **Street-level profiling** enhances your data set with rich demographic, lifestyle and consumer attributes. From age and income to occupation and retail spending behaviors — you can make more precise and insightful decisions.

• **Mapping and geocoding** applications provide a comprehensive view of customers for more targeted customer outreach and enhanced market analysis. The ability to visualize data highlights patterns and opportunities, while giving you the capability to present a more local, community-oriented image to your customers.

Customer Intelligence: Capitalize on a single, high-definition view.
Customer intelligence makes statements more relevant and purposeful. Before investing in a fleet of color printers, you should redefine your communication objectives: **who** you will target, **what** you will offer and **when** you will communicate.

- **Customer data integration** (CDI) enables an organization to link all the information — even when it is stored in multiple databases — to provide a single comprehensive view of each customer.

  By turning disparate data into actionable information, you can streamline workflow, gain valuable customer insights and make better business decisions. Today's technology allows you to combine transactional databases with secondary data sources so you can improve data quality and mailing efficiency.

- **Database and marketing analytics** help you segment customers and pinpoint high-potential opportunities. For some, the prospect of dissecting hundreds of thousands of data points on an ongoing basis may sound daunting. But you can achieve meaningful results by applying basic segmentation strategies and, as you gain experience, create rules-based macros that generate more advanced segments automatically.

  Together, **customer** and **location intelligence** make it easier to target more effectively. To create a simple segmentation strategy, identify one factor that may lead to a difference in customers' needs. For example, in auto leasing, that may be time left on lease: you can create distinct messages for those who are new, at mid-term or near the end of their lease. For a home equity loan, a person's available credit line may tell you whether you need to encourage activation and usage or add an additional credit line. A wide range of variables exist which can be used to target customers, including income, gender, geography, extent of relationship, participation in a loyalty program, and more.

  For more advanced segmentation, you can model likely buyers, calculate lifetime value of customers or overlay multiple criteria to create true 1:1 marketing programs. Geo-demographic data and cluster analysis, for example, can help a car manufacturer know whether to pitch an SUV or an ecologically-friendly Hybrid. The secret is to start small, build a track record of success and expand your efforts over time — adopting the test-measure-refine behavior of a direct marketer.

Production Intelligence: Turn information into action.

Of course, information and segmentations only add value when they can be implemented in smart, practical ways. Production intelligence transforms traditional print and mail production into a flexible and highly productive operation — where the integrity of every communication is assured. By turning the data and documents running through your operation into actionable information, production intelligence increases speed, productivity and personalization at every step of the process

- **Variable data design** makes it easier to compose one-to-one communications across every channel. The combination of template design, built-in business logic and automated printstream creation supports variable content based on segmentations, including text, graphics, images, fonts and layouts.

  In the same way that some websites offer personal homepages, you can create a "my statement" experience in print and extend that experience to the web through P-urls (personal URLS) and centralized repositories that allow you to share and reuse content across the enterprise.

- **Document output management** allows you to modify and redirect printstreams on the fly, without disrupting underlying systems or operations — giving you the flexibility to integrate color output devices, manage multiple print centers and manage output based on business rules.

- **File-based processing** provides an added level of assurance — so you can have the controls in place to guarantee that the right information is sent to the right customer at precisely the right time.

Channel Intelligence: Create more powerful, more consistent experiences.

While much of the focus of TransPromo is centered on printed statements — the power of TransPromo is in the ability to integrate communications across channels and create a mutually managed customer experience. Channel intelligence breaks down the barriers between the physical and digital worlds to enable more effective and consistent communication across every customer touch point.

- **Effective channel management** enables you to step up to customers' changing preferences while coordinating messages across print, online media and your call centers.

- **Integrated real-time feedback** on customer activity across all channels provides intelligence on what products and services customers may need, opening up cross-sell and up-sell opportunities and enabling better customer service at lower costs.

Statements in print and online.

Communication intelligence in the mailstream is what makes customer communication management (CCM) an effective framework for successful TransPromo initiatives. While the primary goal of statement-based marketing is relationship building, the power of CCM is in its ability to do so in ways that improve efficiency, cut costs and enhance productivity.

You Can Make a Statement of Value – Today

In the end, the rewards of TransPromo couldn't be greater: Increased satisfaction and customer retention. Improved loyalty and cross-sell. Greater profits from customers. And it all starts with a simple statement — the one communication that customers look for each and every month.

When it comes to TransPromo insights and execution, Pitney Bowes is the one organization that offers the end-to-end experience and expertise needed to leverage all four forms of communication intelligence: *location intelligence, customer intelligence, production intelligence* and *channel intelligence.*

For almost 90 years, transaction mailers have relied on Pitney Bowes for effective mailstream solutions. Known for innovation, Pitney Bowes has grown over the years, adding the skills, capabilities and technologies that keep their customers ahead of the curve.

Today, for example, Pitney Bowes Business Insight Solutions, Pitney Bowes Emtex Software and our world-class print and mail systems are all part of the comprehensive TransPromo solutions that are helping businesses around the world transform transaction documents into powerful strategic assets. To find out how TransPromo initiatives can add value to your organization, visit www.pb.com/transpromo

Pitney Bowes is a leader in end-to-end integrated mail solutions.

Our leading-edge hardware, software and services can help you grow revenue, cut costs and strengthen customer loyalty, to drive your long-term profitability.

Pitney Bowes

Pitney Bowes
37 Executive Drive
Danbury, CT 06810-4148
877-536-2736
www.pb.com