

Personalized Communication, So What's New?

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Introduction

Every interaction an organization has with either a customer or prospect provides the ability to reinforce the corporate brand, learn something new about them, and use what has been previously learned about that individual to present a relevant offer to educate, generate interest or generate a action.

The Role of Marketing

The Marketing function has, over the last two to three years, either gained importance or raised its profile within many organizations. Historically Marketing has been driven by sales in many organizations. Marketing methods had remained unchanged, due to unstructured processes, incomplete enterprise data and application silos. It has therefore been difficult to quantify and measure the effectiveness of the various Marketing activities and programs.

Marketing's Challenge

The primary challenge for Marketing is to move from project orientation e.g. product/ service launches, promotions etc. to process orientation. Project orientation has forced marketing resources to shift focus from one project to the next, this has not allowed consistency, reuse and measurement of their activities.

Process orientation shifts the focus from a project focus to defining a strategy, creating campaigns based on marketing goals, running the campaigns in a integrated, yet distributed manner and refine subsequent campaigns based on current results. Marketers should then be able to select the optimal 'marketing mix' which is often based on a combination of their marketing budget and the extent of customer information they have gathered.

Based on this shift of focus of organizations from a product centric marketing strategy to a customer centric marketing strategy, CRM has evolved from a set of standalone, function specific sales and service applications to a enterprise discipline that leverages a centralized customer data repository to share and co-ordinate information used by all of the functional CRM applications, including service, sales and marketing.

The functions of marketing, sales and service are inextricably related and build upon each other throughout the customer lifecycle. The value and effect of Marketing is cumulative in the sense that more knowledge is generated as a customer grows through the lifecycle.

Organizations have traditionally conducted variable data publishing activities as discrete projects in the past, but with the move to customer centric strategies and personalization, these activities will increasingly be folded into the business processes of functional applications for Marketing, Sales and Service.

Effective personalized Customer Communication can improve both the 'Efficiency and Effectiveness' of the elements of an organizations Marketing mix. Generally speaking the more effort that is put into personalized communications, from a content development perspective as well as a marketing campaign management perspective, the more valuable communications will be. Investment, in production hardware, software etc., required from a rules, content and communications fulfillment perspective need to be balanced against potential returns.

Efficient and Effective organizations include those that are able to:

- Use personalization effectively throughout the customer lifecycle, designing graphical and textual elements into communications that are highly relevant to their customers or prospects
- Integrate marketing campaigns by sequencing multi media communications and coordinating messaging and branding
- Deliver information based on customer desires (e.g. how they want their statements presented e.g. graphics, text etc), often electronically and in real time.
- Reduce the costs of communications in the process by reducing waste and presenting the document electronically to the customer for local printing

Advances in personalized communication solutions in the areas of Customer Relationship Management (CRM) and customer centric strategies have enabled organizations to execute customer centric strategies across the growing range of customer communication channels, including print, email, Web and wireless.

Organizations which co-ordinate their CRM strategy with a communication strategy generate more sales and grow revenue at a greater rate from their existing customer bases targeted either at a segment or the individual. To be successful customers must integrate personalized communications into their processes for marketing, sales and service. A Communication strategy, based on the CRM strategy, outlines how an organization will invest its resources to most effectively communicate with customers over the various stages of the Customer Lifecycle (Attract, Acquire, Grow/Retain).

A closed loop process to track and measure responses is critical to long-term success. From an 'Effectiveness and

Efficiency' perspective sharing content, personalization rules and campaign templates across all channels is necessary. This is equally important for both inbound and outbound channels.

The challenge for organizations is to automate existing conventional 'one to one' relationships by employing technology to deploy personalized communications based on a corporate, organization-wide strategy and set rules for using the full range of communication channels. The content and rules should be shared among communications and coordinated to maximize objectives whether that is:

- Improved response rate
- Improved customer satisfaction and retention
- Increased customer acquisition
- Increased share of the customer wallet
- Reduce cost per response
- ... or any combination of the above

Return on Investment

There are four broad categories of communications found in most organizations which identify departments responsible for significant spending. They are:

1. Communications which support the product, such as installation instructions, user manuals, and training manuals. A publishing department typically manages these either in the line of business or a shared services organization.
2. Communications, which support the process: memos, reports, and purchase orders. These are typically ad hoc communications found in the office environment managed by a department or an end user.
3. Communications, which support the customer: policies, enrollment kits, invoices, statements, and correspondence. These are typically after-sale and transactional in nature. They are usually produced in a high volume printing and mailing operation, or outsourced, and managed by a shared services organization or within IT.
4. Communications, which support the sale: direct mail, catalogues, and brochures. In general, marketing and sales communications are often designed by creative staffs internally or outsourced to advertising and creative agencies. The majority of these applications are printed in large quantities using high quality offset lithography. These are typically event driven in nature and managed by a marketing communications organization.

Communications which have the highest returns potential from relevance are ones which support the sale and the customer. Concentrate on these applications for two primary reasons.

1. A recent CAP Ventures survey clearly shows that marketing, sales, creative services and operations are the top consumers of corporate print spending. Each of these departments typically account for 20-30% of all corporate print spending. This survey did not include postage and distribution, which is often the single largest expense associated with customer communications.

2. Because these sales and customer support applications target your customers, they can have a direct impact on critical business metrics such as revenue, retention and, ultimately, profit.

Challenges

The implementation challenges and return on investment approaches for relevant communication initiatives are discussed below.

Xerox Global Services in the US last year conducted executive workshops to better understand the challenges related to producing communications, which support the sale. We asked each participating financial services company to be represented by a line of business executive and an IT executive.

Four primary barriers to implementing relevant communications were identified from these workshops:

1. Understanding current costs
2. Measuring effectiveness
3. Timely delivery, and
4. Data Integrity & Accuracy

The first barrier hindering the re-engineering of traditional sales support communications is the inability to identify the total cost of producing and maintaining literature beyond the obvious unit print prices. Since many marketing executives are unable to see the total cost of a printed piece throughout its lifecycle, they are unable to see the opportunities to cut these hidden expenses, or embrace new approaches.

The costs associated with sales and marketing materials continue to increase even after the collateral is printed. Often the most significant costs are the indirect costs e.g. customer service enquiries initiated as a result of confusing communications.

In many cases, organizations will offset print thousands of documents at a time to achieve a lower cost per unit. The printed material that is not used immediately must be stored in inventory until it is distributed or thrown away. The collateral often becomes outdated before it can be used. These costs may not be readily apparent, but they are very real. As one workshop participant admitted, 'what I wasn't aware of is trunk-loads of material out in the field that isn't used.'

The second barrier is measuring effectiveness. Justifying communications expenditures is a constant challenge, and measuring actual results in business terms (for example, increased sales, decreased cost per sale) from marketing communications is essential to the adoption of the new and maturing processes and technologies. Yet current methods offer little or no fact based process to measure the results associated with marketing and sales collaterals.

Because a number of variables influence actual sales, companies generally rely on imprecise and inaccurate methods to measure the effect collaterals have on sales results. Typically they only track units ordered and anecdotal feedback from sales professionals and customers.

The third barrier is ensuring up-to-date and timely delivery of materials, especially in heavily regulated industries such as financial services. Workshop

participants identified the complexity of current processes, which involve many internal departments and state regulatory agencies. Companies frequently compromise on desired content changes due to the time delays associated with re-filing with state regulators.

The fourth and final barrier is the capture and use of accurate client data and compliance with emerging privacy legislation.

While Financial Services institutions enthusiastically embrace the potential business results associated with relevant communications, many are hesitant to dive head-first into personalization. That's because they fear data access, integrity, and compliance with privacy legislation will impede and add complexity to the already-challenging process of producing effective client communications. These fears are prevalent in spite of significant investments in CRM systems.

Now the keys to a successful relevant communication project are:

- Establishing an active line of business sponsorship. The executive sponsor must clearly articulate the business objectives and the metrics, which will be used to define success. The sponsor must also include actual customer feedback in the design process.
- Identifying clear accountability for project leadership, especially if a consultant or systems integrator is being used. For outsourced implementations, the major project contributors come from marketing, the business line, customer service, IT, prints or shared services, and selected vendors. For outsourced and/or hosted projects, IT and print or shared services representation may be required but in less quantity.
- Establishing comprehensive baseline costs, usage volumes and process defects in paramount to success.
- Measuring the business impacts. Although difficult, the most important metrics to concentrate on are:
 - Increased response to marketing and enrollment programs
 - Revenue from increasing order rates and sizes
 - Reduction in customer service costs, and
 - Increased loyalty of customers and distributors
 - Cost management associated with production

Most early adopters have tended to implement relevant communications as an event, such as a new product introduction or launch. In many cases there is no relevant baseline to measure the true value against. A series of pilots is recommended of relevant communications to a

segment of the customer base over a period of time and comparing loyalty and profit results against another segment, which receives generic communications.

How do relevant Customer Communications impact the organization in general and the IT department in particular?

A Customer Communications Strategy should be a fundamental component of all CRM initiatives. As such current customer communications should be evaluated for 'quick hits' prior to full scale CRM deployment. Outsourcing to an Application Service Provider (ASP), or Print service Provider (PSP), can enable rapid deployment with limited risk and investment. An in-house deployment will require the appropriate skill sets and technology infrastructure.

Organizations are likely to have significant costs tied up in multiple document processing organizations, technologies and facilities. There is a need to evaluate current capabilities and infrastructure to determine the long-term strategy. There is a need to either consolidate operations and establish a communications competency centre or outsource all of your communications to a competent and visionary partner.

Designing and implementing relevant communications requires knowledge of business rules, data mining, analytics and application development. Knowledgeable IT resources must be available to assist their line of business partners.

Summary

Organizations are now looking at the 'lifetime value of a customer' as opposed to the value of that customer based on a single transaction.

Personalized Customer Communications has become the Marketing tool for creating material that enables organizations to speak to their customers on an individual basis and build long term, profitable relationships with customers.

Due to 'instant' society that we live in there is a need to give customers what they want, when they want it - or risk losing them altogether.

Organizations need to view their document operations as an asset rather than an expense. Technology alone does not provide solutions; they require the deployment of efficient processes and full utilization of the service as well.