

WHITE PAPER

INTEGRATED CUSTOMER COMMUNICATIONS:

**HOW TO LOWER DOCUMENT PRODUCTION COSTS WHILE
INCREASING CUSTOMER LOYALTY**

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HOW TO LOWER DOCUMENT PRODUCTION COSTS WHILE INCREASING CUSTOMER LOYALTY

Businesses today face customer communication challenges on multiple fronts, yet three critical issues stand out above the rest:

- Cost control
- Transitioning to electronic documents
- Meeting diverse customer requirements

Every management team within companies producing customer documents must address and deal with these fundamental customer communications issues to protect their company's competitive market position and to increase customer loyalty.

One-Dimensional Solutions Don't Cut It Anymore

The old paradigm is characterized by one-dimensional communications. General purpose messages rooted in a single media (typically printed black and white bills or statements) and sent via a single delivery channel (typically U.S. mail) may have worked well for the last 25 years. However, digital communications in the form of Internet delivery and other digital media have permanently changed the communications landscape. Consumers have become increasingly sophisticated and judgmental in their analysis of these B-to-C communications. One-dimensional solutions have become ineffective because:

1. They are not cost effective
2. They don't take advantage of existing knowledge in databases
3. They don't leverage best practices
4. They don't exploit additional customer business potential
5. They are not dynamic and they lack versatility

Other than the name and address, traditional statements and bills typically lack any personalization that would exploit the potential of multi-dimensional customer communications. Customers today have higher expectations when it comes to how and when they receive their business communications. The content of the message and the method of delivery must match their sophistication for it to be effective.

Organizations who insist on using one-dimensional communications are perceived as traditional at best; and unsophisticated at worst.

The Way It Was Done in the Past

In the past, the only way to build strong customer communications capabilities internally was to hire a team of system analysts, network engineers, database administrators, security experts and other specialists to build it from scratch. Generally these teams and groups were functionally organized to deliver bills and statements to customers in the most traditional way – through print and mail. If they became expert practitioners, they did so in a single dimension of customer communications. But this approach leads to several interrelated problems:

- A multi-dimensional customer communications approach takes time and deep knowledge to implement, which means businesses often can't react quickly to changes in a competitive marketplace involving new technologies or delivery systems.
- An internal, tactical approach splinters the team by requiring individuals to focus on various tasks rather than focusing on the projects or systems that truly add value to the business.
- Companies must build a staff of experienced IT and operational talent, a costly commodity even in slower economic times. Annual salaries of specialists such as Database Administrators, Network Engineers, and System Administrators often exceed \$100,000.
- As the complexity of a company's document communications capabilities increase, the required operational maintenance accumulates exponentially. With unusually high personnel turnover, the challenges of knowledge transfer in a complex environment may cripple continuity and other important operational efforts.
- The "home-grown system" that evolves internally lacks formal documentation required for ongoing support and fails to provide the flexibility necessary to add important functionality.

Why The Internet Changes Everything

One-Dimensional vs. Three-Dimensional

People have changed the way they look for information. The segment of the population that goes to the library to find a particular fact vs. going to the Internet is going extinct. Similarly, exposure to the Internet has raised customers' expectations for content that is real-time current and they look for linkage back to the organizations that they interact with most. Before the Internet, communicating with customers was one-dimensional. We wrote to them, and if there was any response needed, they wrote back to us. Now most information is available anytime; it really doesn't need to be sent by mail. Customers now expect that only specifically targeted information or offers will be mailed - anything else is becoming increasingly redundant. The Internet has provided the environment for truly three-dimensional activity: Web sites that deliver feature-rich content; databases that record the preferences of customers; and access to digital color printing services that can follow up with matching content specific to the customer's needs.

Static Content vs. Rich Content

Can the benefits and features of the Internet be transferred to printed mail? Absolutely. The same marketing rules that drive the Internet presentment can be applied to the hardcopy statements through targeted, response-driven mailings. Integrated Customer Communications (ICC) builds on this ability and uses the technology involved in variable data digital color printing to simulate Web-based offers and print them cost effectively. An example of this in the finance

world might be for an auto leasing company to send out a personalized letter to a customer whose lease is coming due, alerting them to that fact and showing them a picture of the new model of his/her leased car. A direct response to this offer would be an appointment with a dealer, or to extend their lease. By using an ICC approach, this type of targeted offer is much more likely to generate revenue and increase customer loyalty.

One Way vs. Interactive

The response rates for most direct mailings are in the < 2% range. This makes the cost of sending out large mailings very high compared to the revenue

generated. The primary reason the response rates are so low is because most direct mail is unsolicited, impersonal, and un compelling. It is One Way Communication. The ICC alternative is to engage the customer in a dialogue that is interactive and responsive.

If you know customers visit your Web site

for information, engage them at that point! Give them an opportunity to interact with the organization by requesting information. Send them the personalized information immediately, so it reaches them before they forget. Response rates for this type of timely, relevant communication will be significantly higher than conventional direct mail. Similarly, if a customer statement of account is required, engage them in a way that will entice them to your Web site. This back and forth interaction builds familiarity and loyalty, as the customers establish a pattern of communication that is convenient and specific to their needs.



Lease Renewals – Personalized Works Better

The New Way: Integrated Customer Communications

The New Paradigm of ICC is highly relevant and three-dimensional. It leverages multiple databases from different sources to create highly personal communications that jump back and forth from an

networks from a virtual cafeteria of choices that keeps the messaging fresh, colorful and exciting. The newest channel, of course, is the Internet.

The Internet has enabled a new era of Web based, CRM-driven correspondence that supports strategic initiatives focused on building customer loyalty and growing revenues within the established customer

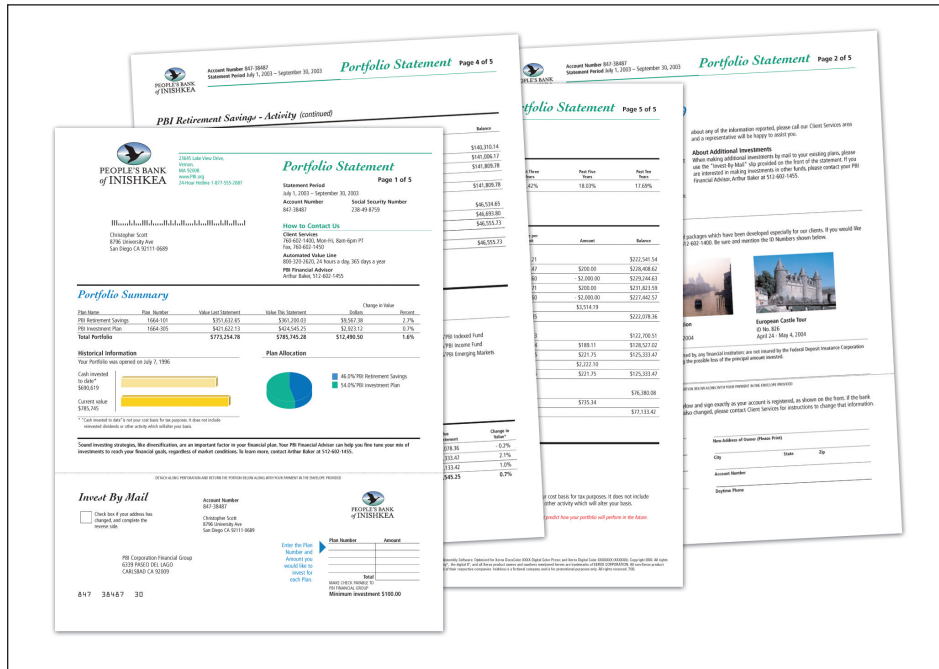
base. Whether conventionally printed or Internet-delivered, customer correspondence is now being viewed as an opportunity to build customer relationships and up sell or cross sell additional products and services.

Whether conducted internally or outsourced, companies must be able to establish ICC in order to deliver consistent, relevant messages across the full media spectrum:

- Printed statements and bills
- Internet documents, e-mail
- Wireless
- Fax
- Digital color direct mail

For example, if an existing customer went to a company's Web site to research a new product or service, a response of targeted print and elec-

tronic follow-up correspondence would dramatically increase the likelihood of a sale. Consistent, relevant messaging increases customer loyalty and grows revenue within the existing client base.



Integrated Statement Color and Graphics Enhance Understanding and Promote Customer Loyalty

Internet Web site to personalized mail and back to the Web again. Companies like Amazon.com have created a new way of connecting with customers to deliver relevant personalized information and targeted promotional offers that grow revenue. They do this through the integration of print and electronic communications that coordinate marketing campaigns and leverage growing databases of information specific to their customers' buying preferences. Is this level of integration only available to dot.com survivors like Amazon? I submit that their survival and propensity to thrive is a road map to a new era of innovative integration in customer communications that any organization can follow.

Just as the old way of managing customer communications is dated and largely ineffective, the new approach can increase customer satisfaction significantly while decreasing operational cost and improving a company's revenue generation potential. This is done by integrating the best communications chan-

Three Criteria for Integrating Customer Communications

What characteristics or capabilities should decision makers look for when evaluating customer communications offerings? Three key criteria can help differentiate the various communications service providers in the market. Simply put, companies that can deliver on each of these three criteria will produce far superior results than companies that cannot. The criteria are:

1. Is the solution built on best practices to customize an integrated communications solution?

2. Does it incorporate a consistent knowledge driven approach?

3. Are all available options included?

Builds on Best Practices to Customize an Integrated Communications Solution

An integrated approach to customer communications must incorporate a built-in understanding of which systems or processes to employ for maximum gain - and which ones to leave alone. This ability to use the right communications media and channels comes only from real-world experience with real situations that have been implemented.

Only companies that truly understand where to focus knowledge and resources will succeed without incurring heavy operational penalties and prohibitive skyrocketing costs. That kind of knowledge is gained only through lessons learned in the trenches while building and managing other programs and implementing the full spectrum of communications services.

In evaluating different alternatives or vendors of customer communications services, it is important to determine whether or not they have proactively tapped the knowledge of real-world experts to capture best practices in proven and sustainable plans and processes. If not, the recommendations will likely be based on assumptions and “best guesses” which tend to produce results far inferior to the combined efforts of an integrated approach.

Incorporates a Consistent Knowledge Driven Approach

Communications program engineers and program operators who execute strategies and campaigns often wind up with no documentation and often may simply rely on memory of what they’ve done in the past. This is often referred to as an “ad hoc” approach. The most critical information on what is being done and how, is stored outside of any central knowledge base where it can be accessed easily and replicated.

More often than not, this ad hoc approach results in important (and costly) differences between what works and what an analyst thinks will work. Almost by definition, this ad hoc approach breaks down in extension or repetition. Because there’s no centralized knowledge base or information source, virtually every change to the process requires the next engineer

to relearn what was initially deployed. The problem is amplified when companies experience turnover and critical knowledge stored in the memory of valuable employees is lost.

A reliable ICC solution is a well planned, knowledge-driven approach that designates a centralized knowledge base as the starting point for any process or changes in process. With this approach, it’s almost impossible to implement changes without first updating the central knowledge base, which ensures a foundation for performing tasks the same way each and every time — thus providing ongoing consistent planning and process quality.

Includes all Available Options

Finally, the best customer communications programs are designed so that all the individual methods and media are synchronized and fully integrated into a cohesive, custom designed whole. Actions must support a detailed, planned and integrated approach to a company’s entire customer communications needs. One that chooses from all of the various options (printed statements and bills, internet documents, e-mail, wireless, fax and digital color direct mail) and selects the right media, message and channel of delivery – as the single most effective service or blend of services that offers an optimized outcome.

By executing a plan that includes all available options in precisely the right mix, a company ensures two major benefits: world-class communications with customers; and the lowest possible cost. This is the optimal combination of circumstances in any arena of business activity.

Next Steps -- Assessment

Organizations that want to realize the benefits of transitioning their customer communications to an integrated approach will direct their management teams toward fully utilizing all forms of customer correspondence. The implementation of an integrated communications strategy should include an initial assessment of current capabilities and methods as well as an ROI analysis based on that assessment. Outsourcing to a qualified vendor that is experienced at integrating the best solutions available should be considered as an alternative to an in-house strategy. Outsourcing allows companies to focus on their core businesses while gaining a competitive advantage through advanced technology.

FSSI offers just such an ICC assessment by a team handpicked to match each organization by industry. They typically spend a day with companies to gather all the necessary information.

During this time a qualified assessment team will:

- Formally evaluate the current state of your customer communications including assessing future plans and potential risk.
- Identify your “fully optimized” customer communications plan - based on your company’s vision and matched against relevant industry benchmarks.
- Complete a gap analysis that will show you the distance from where you are now and where you want to go to reach your objectives.
- Create a road map of how to close the gap.
- Present findings and conclusions to your executive management team.

About FSSI

At Financial Statement Services Inc. (FSSI), we partner with companies to provide integrated customer communication services for the production and distribution of both physical and electronic documents. Our services help clients communicate more effectively with their customers and achieve dramatic cost reduction, process improvement and provide revenue enhancement opportunities.

For More Information

You can take the first step by having FSSI assess and evaluate your current customer communications processes by calling 1-(888) 351-3774 or visiting the company’s Web site (www.fssi-ca.com).