

BOWNE

THE POWER OF CLIENT-CENTRIC COMMUNICATIONS

→ Realizing Customer Relationship Management Benefits through Targeted Client Communications

INTRODUCTION

In a dynamic and increasingly competitive marketplace, financial services companies are recognizing that their success will be driven by their ability to meet clients' rising expectations for relevant, personalized service. The ability to effectively deliver customer relationship management (CRM) and, by doing so, retain current profitable customers is crucial for any business. Here are some reasons why:

- The average US company loses approximately 15% to 20% of its customer base each year, and half of its customers within five years of attracting them.¹
- Financial Services companies are losing \$700 million annually in profit opportunities by not building meaningful relationships with customers.²
- Retirement Services Plan Providers lose 60% to 95% of rollover assets that are at the participants' highest account value.³
- Increased use of personalization and color, on average, improves: response rates by 34%, order value by 25%, repeat orders by 48%, overall revenue/profit by 32%, and response time by 35%.⁴

Companies have invested considerable sums of money and other resources in customer relationship management. Many of these efforts focused on client contact management for sales and customer service. Most CRM efforts have failed to successfully integrate marketing with sales and customer service. The objective of this paper is to demonstrate how companies can fully realize the benefits of their customer relationship management by leveraging the gathered customer insight and by adopting a new approach that will enable them to create meaningful communications with clients. Called client-centric communications, this new approach is based on the understanding that different levels of personalization are needed to tackle different types of client communications challenges in order to maximize effectiveness and return on communications investment.

In an effort to retain their top customers, many companies have been moving away from "one size fits all" client communications to a more personalized, relationship-enhancing approach enabled by new technologies for personalization, customer relationship management and digital print. Personalization helps companies to connect with their clients, achieve



WHITE PAPER

WHAT IS CLIENT-CENTRIC COMMUNICATIONS?

increased customer loyalty and greater wallet share from their most profitable clients, and higher sales penetration in target segments. However, instituting an “across the board” personalized approach is not the answer to every client communications challenge, as it is not always the most cost-effective method.

Client-centric communications is a blueprint that recognizes the need to tailor communications to different target audiences – whether the goal is to reach an individual client, a segment of clients with similar characteristics or a mass audience. These targeted communications approaches (One-to-One, One-to-Segment, One-to-Many) support your communications strategy in the most differentiated and cost-effective way that maximizes value and return on your communications dollar. The net result of implementing client-centric communications is improved bottom line performance through increased client retention, enhanced brand value, maximized cross-sell opportunities and higher return on communications investment. And all those benefits are realized while achieving cost effectiveness and process efficiency in all phases of document creation and production. What it's really about is a paradigm shift from focusing on reducing the cost per document to focusing on reducing the cost per sale – a much more far-reaching and beneficial approach.

Results show that improved customer relationship management through targeted communications helps strengthen relationships between companies and their clients, helping companies achieve increased sales from their most profitable clients, greater sales penetration in target segments and increased customer loyalty. Utilizing the correct level of personalization in client communications projects can be instrumental in retaining customers and boosting sales and profits. One study by McKinsey & Co. found that companies integrating personalization techniques into their marketing efforts see a significant increase in the number of customers acquired.⁵

Simply put, client-centric communications means tailoring your communications to your different clients. Depending on the goal of any particular piece of communication, you could decide to communicate to each of them individually, a segment of them, or all of them. The idea is to communicate to your clients in the most effective way, thus yielding maximum business results and improved cost management.

Client-centric communications is comprised of three key approaches based on the most appropriate degree of personalization for the targeted clients and the desired communications results.

One-to-Many Communications – This approach is about communicating to a mass audience through client documents, such as compliance related materials, collateral or kits, and doing so in a more cost-effective and process-efficient way, since you are producing only one “generic” document. The current challenges are numerous: high document creation and production costs, long cycle times, the inability to leverage content across the enterprise, excessive waste due to content obsolescence, high error rates from manual pick-and-pack processes, increased warehousing costs, and the complexities of managing multiple vendors.

One-to-Segment Communications – This method groups populations based on common characteristics or demographics and then develops customized content for each demographic segment. Companies need segment-based communications when they want to differentiate their message and document content for various target client segments. The challenge they

THE PERSONALIZATION TREND: TOO MUCH OF A GOOD THING?

face is to deliver varied content tailored for each segment in a way that yields maximum responses and desired results, such as increased sales and higher customer retention rates. Research has shown that the more relevant the message is to the recipient, the higher the probability of invoking an action, such as a request for more information or a sale.

One-to-One Communications – The most relevant form of client communications is one-to-one, with each piece created solely for one recipient. Companies use one-to-one personalized communications when they seek to differentiate their message and document for different individual clients. The challenge facing them is to deliver one-to-one personalized communications, perhaps only to their high-end clients, in an effort to increase profitability from these high-end clients, increase customer loyalty and truly differentiate themselves from their competitors.

Personalization technology is the foundation of client-centric communications. There has been a huge need identified for personalization. A Datamonitor report, “Personalization Technologies: Making One-to-One a Reality,” forecasts that global investment in personalization technologies will grow to \$2.1 billion in 2006 from \$500 million in 2001. Financial services and retail have been the primary adopters of personalization technologies to date, accounting for half the market.⁶



Personalization can be divided into two categories:

- 1) Implicit personalization, whereby communications, as well as product and service choices, are based on specific data accumulated about a specific person. This becomes the knowledge that drives sales and marketing efforts to that person. The industry is still developing its knowledge-based personalization capabilities. Examples of this type of dynamic personalization are on-line retailers of books and recorded music that market products to individuals based on their prior purchases.
- 2) Explicit personalization, in which you do not have customer behavior information, such as buying habits, preferences or goals. You can utilize data, such as name and account information, in conjunction with rules-based logic to achieve some form of personalization. For client communications purposes today, the industry is mostly using explicit personalization.

MULTIPLE FACTORS MUST BE CONSIDERED TO CALCULATE TRUE DOCUMENT COSTS

The thinking behind personalization, in general, holds that companies can cultivate customer loyalty by responding to requests and inquiries quickly, providing relevant information on products and services, making an effort to accommodate special needs, proactively tailoring products to customer specifications and effectively cross-selling their other product and services offerings.

Since the central cost efficiency of mass marketing revolves around the marketer's ability to reach a large audience with a standardized message, it follows that the higher up the personalization scale a marketer goes, the greater the cost. The increased cost of personalized client communications is subject to a number of factors, including type of media used, number of prospects in the targeted market, degree of personalization utilized, distribution method, etc. However, the cost difference between creating content that is personalized versus mass market communications is great enough in virtually all cases that personalization's use can only be cost-justified in targeting those prospects who represent the greatest potential return on investment. This is one of the reasons why personalization in printed media hasn't been prevalent up to this point. With client-centric communications, however, companies now have a way to achieve their communications and business needs and goals cost-effectively.

What has not changed in all cases, however, is the way decision-makers at many companies look at document costs. Too often, they focus only on print costs – which, according to CapVentures, Inc., account for as little as seven percent of total costs for developing and producing many documents.⁷ In contrast, the other aspects of the document lifecycle account for up to 93 percent of total costs.

The process to create a piece of client communications can be seen as five separate and distinct steps:

- **Concept** – target audience, business objectives, content, format, channels
- **Creation** – composition, typesetting, data acquisition, design, edit/approval cycle
- **Production** – assembly, printing, kitting, inventory management
- **Distribution** – procurement/ordering, fulfillment, delivery, warehousing
- **Storage/Retrieval/Management** – security, access control, version control, repository, archive, tracking, reporting, billing, process management

The costs associated with each of these steps can be influenced by a host of variables anywhere along the way. Here are just some of the challenges associated with the document lifecycle:

- **Concept** – re-use; leverage existing content and design
- **Creation** – access to previous documents and/or content, cycle times, version control, document integrity, level of personalization, brand management, demand on resources
- **Production** – volume, turnaround time, cost-control measures, number of channels to be used, document accuracy
- **Distribution** – order fulfillment, obsolescence, cost management, time constraints, multi-channel
- **Storage/Retrieval/Management** – access to content, feedback, tracking, reporting, billing, integration, management

Printing represents just a fraction of the total cost in most document lifecycles, and with the print medium itself now often just one element in a multimedia, multi-channel marketing strategy, zeroing in on print costs alone will not provide a complete picture. Over the past ten years, use of Print On-Demand has grown tremendously because it helps to control costs associated with traditional production, fulfillment and distribution.

Some advantages of Print On-Demand technology include:

- Elimination of the need for warehousing documents
- Ending spoilage and waste due to content obsolescence
- Reducing set-up time
- Offering quick turnaround times
- Delivering cost savings on short print runs

In addition, Print On-Demand technology, variable data processing and variable content-processing (inserting data or content based on pre-defined business rules) are essential to a personalization strategy.

HOW ROI POTENTIAL FACTORS INTO CLIENT-CENTRIC COMMUNICATIONS

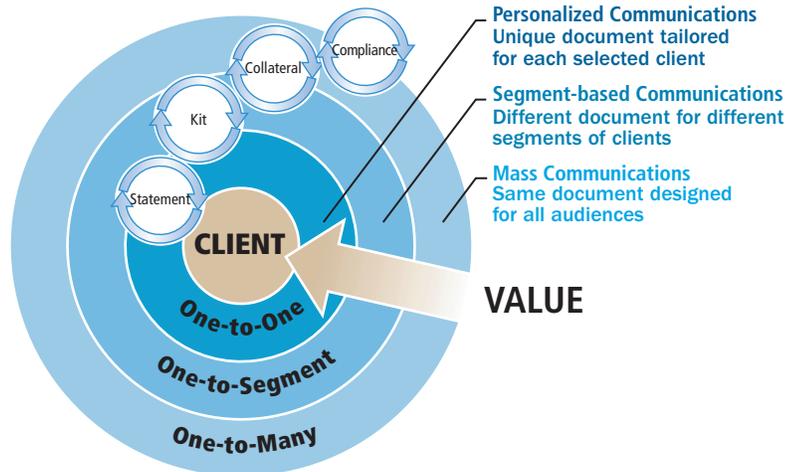
Customer expectations have changed in the Digital Age. Clients are demanding – and are receiving – service that is more targeted and relevant to their individual needs. To stay competitive, companies are moving toward customization and personalization, but at what cost? There is skepticism within the industry as to what the return on investment (ROI) truly is. Targeting to the individual client level just doesn't make economic sense in all cases. Unless the return on resources invested in the customization and personalization effort potentially meets or exceeds that investment, it will not make business sense.

Client-centric communications, a client communications blueprint developed by Bowne Enterprise Solutions, addresses this challenge with a multi-tiered approach to personalization and customization coupled with end-to-end solutions to managing costs and efficiency throughout all stages of the document lifecycle. The blueprint gives businesses the flexibility they need to create client communications documents with the level of personalization and customization appropriate to meet their client needs, along with greater control over costs through all phases of the document lifecycle.

Central to the implementation of client-centric communications is access to relevant customer relationship management data by the department responsible for creating the documents – most often, marketing. However, rather than focusing strictly on highly personalized marketing, client-centric communications offers the multi-tiered model described earlier: One-to-Many, One-to-Segment, and One-to-One. These different communications approaches are designed to support companies' communications strategy to meet the needs of different clients, while achieving cost-effectiveness and desired ROI.

HOW ROI POTENTIAL FACTORS INTO CLIENT-CENTRIC COMMUNICATIONS (cont.)

Client-Centric Communications



One-to-Many communication is the most cost-effective approach when the information being provided is the same for all recipients of the document, regardless of individual needs and demographics – for example, an overview booklet for all participants in a 401(k) plan or SEC-required financial statements distributed by a mutual fund company.

One-to-Segment communication is appropriate when targeting a group of clients who have similar needs or share common characteristics (a retirement plan administrator might have several plan sponsor clients with thousands of participants in the same industry). With client-centric communications, this company can produce multiple customized versions of 401(k) enrollment kits with relevant information targeted for a specific group of participants (i.e., by age group, by contribution level, by geography).

One-to-one communication, the most highly personalized and customized form of client communications, is also the most relevant to the recipient since it can contain content and messages specific to his/her needs and financial goals. As a result, it is more likely to spur the recipient to action, such as requesting additional information or a sale. An example would be a statement message informing a 401(k) participant of a new fund choice – one that was identified as being potentially attractive to this participant based on their specific past investment behavior and the performance of their portfolio.

No matter which type of client-centric communications document is being produced, managing costs and efficiency through all phases of the document lifecycle process is critical to maximizing ROI. Among the cost issues that must be considered are document creation; production/printing; distribution/fulfillment; and storage/retrieval/warehousing.

CLIENT-CENTRIC COMMUNICATIONS IN ACTION

Initially, client-centric communications offers the most promise in highly complex and government regulated vertical markets, such as the financial services and healthcare industries, both of which have significant challenges in product differentiation and in meeting all of their client communications needs. Companies in those industries are focusing their efforts on providing improved customer service and doing a better job of managing customer relationships. An important part of that effort involves taking the customer insight and converting it into pro-active, outbound communications, moving away from a one-size-fits-all approach toward more targeted communications.

The investment management sector provides a good illustration of how client-centric communications can function in the "real world" of business. Currently, when prospective customers contact a mutual fund company to request information on Individual Retirement Accounts (IRAs), customer service representatives typically ask them a few rudimentary questions about their finances and investment goals. The caller is then sent a large package of printed materials that more often than not includes a great deal of information of no interest to the prospect. Many people are intimidated by mailings of this type and so put them aside for a considerable period of time. Some never act on them at all. The result is postponed or permanently lost business for the mutual fund company.

An entirely different scenario takes place with client-centric communications. After the initial phone call from the prospect, the fund company works with Bowne Enterprise Solutions to create the document and digitally print a concise, personalized and perfect-bound booklet that matches relevant details of an IRA program to the prospect's specific situation. This is accomplished through Bowne's Documents on-Demand Solution, a web-based, real-time integrated document assembly, production and fulfillment solution that enables companies to create, customize and personalize communication deliverables and print them on demand in perfect-bound booklets. The prospect, rather than receiving a cumbersome, intimidating package of largely irrelevant information days or weeks after the phone call, instead gets a customized, personalized response within 24-48 hours.

Simultaneously, an electronic copy of the brochure is transmitted to a salesperson at the mutual fund company. He or she has the ability to track delivery and determine when the brochure reaches the prospect and can then make direct contact to initiate the process of setting up a new account or transferring funds. The prospect gets a new IRA program tailored to his or her individual needs; the fund company gets new business from a satisfied customer whose expectations have been met or exceeded.

Research indicates that digitally printed, personalized color documents, such as those used in the client-centric communications strategy, can provide impressive returns. Response rates increase by as much as 34 percent, average transaction values climb 25 percent, the number of repeat transactions almost doubles and response time is shortened by 35 percent. Most importantly from an ROI perspective, this strategy has been shown to boost overall revenue and profit by more than 30 percent.⁴



SUMMARY

Client-centric communications is an important strategy that enables companies to increase the value of their client-communications efforts. Client-centric communications maximizes cost effectiveness and process efficiencies by focusing on the entire document lifecycle process. It can help companies sharpen their marketing efforts, increase customer acquisition and retention, improve customer relationships and boost share of wallet. Ultimately, this value flows through to the bottom line, validating client-centric communications' underlying premise where it matters most.

FOOTNOTES

1. Terry Vavra, Ph.D, "Don't Let Customers Short Circuit Your Retention Efforts," *Customer Relationship Management*, March 1996, pp. 33-35. Quoted in *Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI*, Accenture, 2001, p.11.
2. Peppers & Rogers Group and Roper Starch Worldwide, "Customer Relationship Management Confronts the Financial Services Crisis," December 2000. Quoted in *Insight Driven Marketing: Using Customer Insights to Build Brand Loyalty and Increase Marketing ROI*, Accenture, 2001, p.11.
3. Jenny Anderson, "Shake, Rattle and Rollover (401k Plans)," *Institutional Investor*, March 1, 2001.
4. David Broudy and Frank Romano, *Personalized & Database Printing: The Complete Guide*, GAMA Micro Publishing Press, Inc., 2000.
5. John Hagel III and Marc Singer, *Net Worth: Shaping Markets When Customers Make the Rules*, Harvard Business School Publications, 1999.
6. Datamonitor report, "Personalization Technologies: Making One-to-One a Reality," August 2001.
7. CapVentures, Inc., "The Cost of Business Communication: A Look at the Business Document Life Cycle," November 15, 2001.

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