

The Communication Engineering White Paper Series:

**Transforming
Post-Sale Client
Communications to**

Improve Business Results

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For a high level view, read this **Executive Summary**.

■ **Post-sale client communications are undermining business success.**

Organizations send their clients millions of documents each year. These communications should be active agents that help mold the client experience. But unconsciously, many organizations have a very polarized view of client communications. With heavy marketing influence in the pre-sale phase and almost none in the post-sale phase, organizations are inadvertently creating a negative client experience with post-sale communications.

When flawed post-sale communications cause negative business results, they often increase client care costs due to unnecessary support calls. Far too many of these calls are purely remedial. In some way, the communication failed to meet the client's need. Also, when recurring communications fail to present the organization's value proposition and relationship, client loyalty, growth in revenue and market share erodes.

This paper was written to draw attention to this often hidden communication problem, and to suggest the most effective ways to solve it.

■ **Three ways to transform post-sale client communications.**

This paper focuses on three ways to significantly improve client communications, so they support business goals.

① **Develop a client communication strategy.**

This activity begins with a structured approach to identifying client touch points, understanding their impact and determining which communications would benefit the client experience most by being improved. Strengthening marketing's influence throughout the post-sale phase is essential.

② **Integrate personalization and color.**

Traditional transactional documents, such as bills and statements, represent significant, yet untapped, revenue opportunities today. Using personalization, customization and color tools, transactional communications can be transformed into even more targeted, relevant and effective communications. In fact, transactional promotional (TransPromo) communications, as part of cross-sell and up-sell campaigns, can maximize client response rates and build business revenue.

③ **Re-engineer client communications—don't just re-design them.**

Communication engineering can take post-sale client communications to the next level with behavioral science modeling, traditionally used by clinical psychologists. It takes the science of communication effectiveness and applies it to the structure, organization and design of documents. When communication engineering is combined with marketing, personalization and the strategic use of color, Xerox clients have experienced great success—higher response and lead rates, increasing sales and improved long-term customer loyalty.

Contents

■ Post-sale client communications are undermining business success. 4

Ineffective communications fuel high client care costs. 5

Ineffective communications erode loyalty and growth. 6

Ineffective communications leave significant revenue on the table. 8

■ Three ways to transform post-sale client communications. 10

1. Develop a client communications strategy. 10

2. Integrate personalization and color. 11

3. Re-engineer client communications—don't just re-design them. 13

How to Get Started 15

About the Author 16

About Xerox Global Services 16

Post-sale client communications are undermining business success.

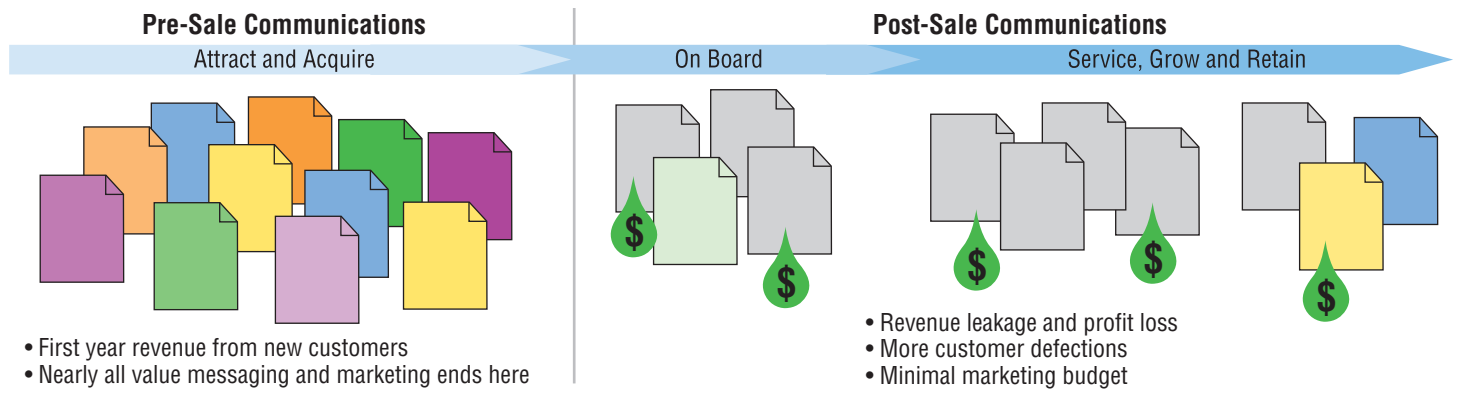
Organizations send their clients millions of documents each year. These communications should be active agents that help mold the client experience. But unconsciously, many organizations have adopted a very polarized view of client communications. With heavy marketing influence in the pre-sale phase and almost none in the post-sale phase, organizations are inadvertently creating a negative client experience. The failure to create a meaningful client experience has costly consequences.

Three questions to consider regarding your post-sale communications

- What role does marketing play in your pre- and post-sale client communications?
- What experience are your post-sale communications creating?
- Who in your company monitors these communications?

As you can see from the chart below, client communications cover all stages of the client lifecycle, even though the role of marketing drops off in the post-sale phase.

Not all of your documents are created equal. In fact, many post-sale documents are so flawed, they are undermining your business success.



Communications developed for the **pre-sale phase** are heavily influenced by marketing. They create a positive, persuasive experience. This is why people buy. These materials are generally easy to understand; they set expectations and make promises in an effort to acquire clients.

In contrast, **post-sale phase** communications, including **on boarding** and **retention** documents, are managed by groups other than marketing. On boarding documents mark the beginning of the relationship between the company and the client. Documents used in this introductory phase include welcome kits, policies, contracts, manuals and instructions. These documents position the new client to enjoy the benefits of the promises made during the pre-sale phase. On boarding documents have minimal marketing influence; this is the point where communication effectiveness begins to decline. As a result, many on boarding communications are flawed because they are confusing or not easily understood by the client. This is the start of an increasingly costly trend, which continues with retention documents.

Retention documents include statements, bills, change notices, explanation of benefits, payment notices, regulatory notices, denial letters and renewal solicitations. Communications at this phase are typically devoid of marketing influence and are often problematic. The client experience is not a top priority—even though these documents become the most consistent and most frequent experience the client has with the company. For example, when a client receives a flawed bill each month, it reinforces a negative experience and a poor perception of the company. Post-sale communications are more important, because they are primarily responsible for shaping the ongoing client experience.

When communications are flawed, they have negative financial consequences. However, there are proven methods to make communications more effective—to turn them into opportunities to achieve strategic business results and grow revenue. Before organizations can improve their communications, it is important to first understand the seriousness of the problem.

When flawed post-sale communications cause negative business results, they often increase client care costs due to unnecessary support calls. Lagging client loyalty also impacts business results with lower profit margins and reduced revenue.

Ineffective communications fuel high client care costs.

★ This symbol signifies actual Xerox client experiences.

- ★ Few companies have taken a hard look at the consequences of flawed post-sale client materials on client care organizations. It is common to log the topics of a call, but rare for the client care agent to log what stimulated the call. Xerox has worked with companies in which 20-40% of client care calls are stimulated by a communication sent by the company to the client.
- ★ One large insurer found it difficult to understand the high call volume that resulted from the 5,000 letters they sent to their clients. After the mailing, they received over 3,000 calls from clients. Because this was a one time event, it was easy to correlate the letter with the subsequent spike in call volume. Linking poor communications to client call volume increases can be challenging.

A straightforward analysis of call volume patterns will show a direct correlation to the distribution of communications to clients, such as bills, contracts or notices. Far too many of these calls are purely remedial. In some way, the communication failed to meet the client’s need. Confused, frustrated, or angry—clients will call. How many of these client service calls are avoidable and unnecessary? How much are flawed communications really costing?

The table below illustrates the cost implications of avoidable client calls.

HEALTH CARE EXAMPLE: Each year, 30% of this company’s client care calls were due to poor communications. The cost to manage these unnecessary calls was \$6 million per year. Even a small reduction in unnecessary calls results in a large cost savings.

Total Customer Service Inquiry Volume per Year	2,500,000			
Average Cost per Inquiry	\$8.00			
Inquiries Caused by Ineffective Communications	750,000 (30%)			
Cost of Inquires Caused by Ineffective Communications	\$6,000,000			
Reduce Unnecessary Calls by	5% to save	10% to save	20% to save	50% to save
Cost Savings from Reducing Unnecessary Calls	\$300,000	\$600,000	\$1,200,000	\$3,000,000

How much are customer service calls due to ineffective communications costing you?

Call avoidance savings can be substantial. Using the data shown—if the organization reduced unnecessary client calls by as little as 5%, cost savings would total \$300,000. If calls were reduced by 20%, savings would increase significantly—up to \$1.2 million.

Two questions to consider regarding your service call volume

- How would a reduction in call volume benefit your business?
- What changes would be required?

Next, consider the consequences of flawed communications on the bottom line.

Ineffective communications erode loyalty and growth.

Just as flawed communications increase client care costs, they are also responsible for declining client loyalty, which erodes profits and revenue.

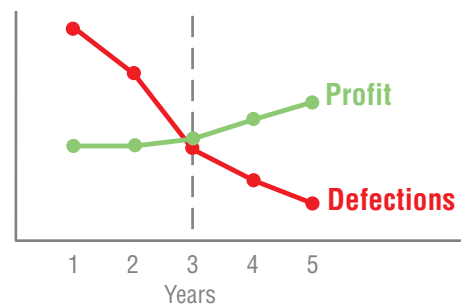
When recurring communications fail to present the context of the organization’s value proposition and value relationship, client loyalty erodes. A surprising number of loyalty and resulting retention problems correlate directly to an organization’s client communications. In one study, 63% of clients said their loyalty was affected by billing issues, while 41% blamed mis-communications.¹

- ✦ Enterprise-wide, companies are slowly beginning to focus on client retention—specifically using communications to enhance retention rates. One Xerox client in the health care industry analyzed retention and discovered that each one-quarter of a percent improvement in retention resulted in just over \$1 million in profit per year.

Historical trends showed that clients of a health care company become more profitable the longer they are retained, as shown below. The improvement was a highly desirable mix of revenue growth and reduced cost to service the client. The essential nature of retention as a strategy is not a financial myth. This Xerox client found profits became meaningful during year three. However, notice how the defection curve is skewed to the right.

INSURANCE EXAMPLE: The longer you retain a client, the stronger your profitability.

The client defection timeframe and the acceleration of profitability for this provider intersected in year 3. This demonstrates the importance of retaining clients to achieve profitability.



✦ This symbol signifies actual Xerox client experiences.

¹ McKinsey Quarterly, 2004.

Health insurance is not the only industry that targets retention as a major strategy. Other examples include:

- Property and Casualty – These insurers focus on first year roll-overs as a key metric of profitability.
- Banks – Account holders are not likely to return if they switch to another institution.
- Cellular Telephone – These companies go to great lengths to keep clients with annualized plan contracts and fiscal account adjustments.

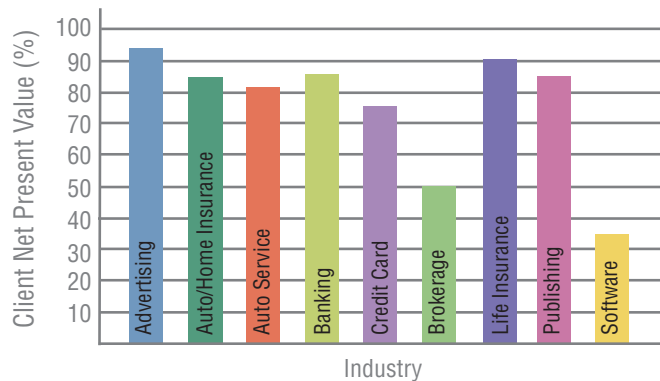
Client loyalty drives profit.

Finding ways to improve the client experience impacts loyalty dynamics and improves revenue. Client loyalty expert Frederick Reichheld argues that a retained client is significantly more profitable than a newly acquired client. Reichheld insists that client loyalty generates a profound effect on overall client profitability. For example, a 5% increase in client retention at one bank generated a 125% improvement in per client profitability.²

The chart below illustrates the increase in the net present value (current value) of an average client in a number of different industries. When the client retention rate increases by 5%, you can see the impact on client net present value.

Researcher Frederick Reichheld found that it's much more profitable to retain clients than to acquire new ones.

This trend, shown as a percentage increase in client net present value, holds true for a wide range of industries.²



If a credit card company, for example, can hold onto another 5% of its clients each year (increasing its retention rate from 90% to 95%), total lifetime profits from a typical client will rise, on average, by 75%.

Dissatisfied clients are a serious business threat. According to a recent study, the average annual U.S. client defection rate is as high as 19.1%.³ When clients are lost at a higher than acceptable rate, the burden placed on the sales force to find new clients to make up the gap year-over-year grows larger.

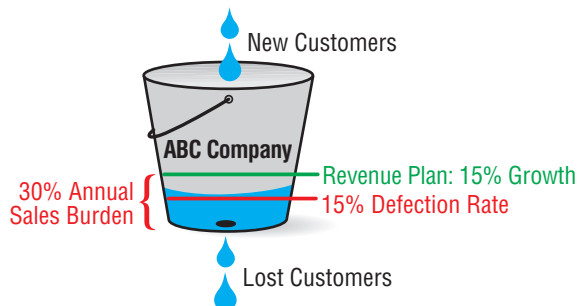
² Frederick Reichheld. *The Loyalty Effect*. 1996.

³ American Client Satisfaction Index, University of Michigan, 2006.

- ✦ One company Xerox worked with had averaged an annual defection rate of 15%. It also had a 15% revenue growth plan. As a result, the sales force was tasked with closing a consistent 30% gap each year in order to make their plan. A basic shift in strategy was needed: improve the retention rate; shift from recovery of lost revenue to achieving new revenue. Each one percent improvement in retention meant one percent of additional revenue growth without adding sales staff.

HEALTH CARE EXAMPLE: Customer defections erode revenue growth and burden sales.

One company that Xerox worked with had a 15% revenue growth target, along with an annual 15% client defection rate. As a result, **the sales force was tasked with closing a 30% gap in order to make their annual plan.**



This company opted for a new strategy to make post-sale communications more valuable. Client communications had been automated for many years. But, now, the mission of each client communication was expanded. The company targeted a set of post-sale documents to change. Clients were quick to notice the changes and began volunteering feedback. For example, one of the largest clients immediately called the client care center just to say how helpful the new communications were proving to be. The new materials were easy to use and easy to understand. This was a very different experience. These new communications were carefully engineered to include deep branding and loyalty concepts.

Xerox understands document challenges and works with clients to improve communications and create a positive, consistent client experience. Finally, what are the effects of your flawed communications on top line revenue?

Ineffective communications leave significant revenue on the table.

Post-sale communications (bills, statements, explanation of benefits, and invoices) are transactional in nature, meaning they communicate information about the recipients’ transactions with the supplier. Since studies have shown that up to 95% of transactional documents are actually opened and read by the recipients, they represent a significant, yet untapped, revenue opportunity by simply turning them into promotional sales-oriented vehicles.

In fact, a whole new form of direct marketing is emerging, called TransPromo (Transactional Promotional) communications. **According to InfoTrends, “TransPromo...combines the information delivery of the transaction document with the data-driven personalization of promotional offers to generate faster and higher responses.”** TransPromo communications feature relevant promotional content, called onserts, alongside essential transactional information. This eliminates the

✦ This symbol signifies actual Xerox client experiences.

largely ineffective inserting of promotional “stuffers” into the envelope with the transactional document.

And clearly, this is what consumers want. Based on InfoTrends’ 2006 Future of Mail study, 60.1% preferred Direct Mail to other methods like email, telemarketing, etc. At the same time, almost two-thirds, or 63.1%, preferred highly relevant, personalized statements with marketing offers on the document to traditional statements with advertising inserts included in the envelope.

Consumers clearly prefer receiving highly relevant promotional materials by mail. And given that consumers are entertaining up to 3,000 messages a day, post-sale transactional communications may be the only pieces of mail they are willing to open. What better place to provide relevant promotional offers, educational and awareness messages?

The results of providing consumers with TransPromo communications are impressive:

- One Financial Services company experienced a 10.5% increase in participation rates by including targeted, relevant promotional offers and messages on the participant’s 401k statement.
- A health insurance firm saw a 42% shift from brand name to generic drugs when designing their statements using a TransPromo approach. Previously, the brand name to generic drug shift was roughly 10% when the firm used a separate, targeted insert or mailing.

These findings help build a powerful case for using post-sale communications as an effective channel for cross-sell, up-sell, educational and awareness initiatives and for realizing significant increases in revenue. ■

**“TransPromo...combines the information
delivery of the transaction document with the
data-driven personalization of promotional offers
to generate faster and higher responses.”**

Three ways to transform post-sale client communications.

Flawed client communications are missed opportunities to achieve strategic business results, such as growth in revenue and market share. Here are three ways to make client communications work harder for the organization, instead of against it.

Transform your client communications

- ① Develop a client communication strategy.
- ② Enhance capabilities with personalization and color.
- ③ Re-engineer client communications—don't just re-design them.

① Develop a client communications strategy.

A client communications strategy begins with a thorough understanding of the entire organization—its documents, processes, people and technology. An executive sponsor is needed to champion the effort. The strategy requires a strong individual who can work across the enterprise, if needed. This is necessary to influence the entire process, craft the strategy and see that it is implemented and actively monitored. Some organizations choose to charter one individual or group to take responsibility for all client communications. They find that having a good game plan and a single focal point is a great enabler as the organization takes steps to target and fix flawed client documents.

Before flawed communications can be fixed, a structured approach is required to identify all the ways clients are “touched” by communications. These questions must be answered: How does each communication affect the client experience? How is this impact measured? Once the impact of each communication is known, it is easier to assess which documents would benefit most from changes.

Developing a thorough, well documented touchpoint map helps organizations focus on fixing those key documents that will have the biggest positive impact on the client experience, as well as the enterprise.

Build brand awareness, client loyalty and revenue growth with marketing.

The cornerstone of any client communications strategy is to extend marketing's influence to all post-sale communications. When marketing helps to shape post-sale communications, each document works harder for the organization. And each document can provide gentle reminders that the organization keeps its promises to its clients.

Extending marketing's influence makes good business sense when you consider the fact that it is more profitable to retain existing clients than it is to acquire the prospects you're pursuing. Why? Because existing clients are easier to up-sell and cross-sell and you don't have the high pre-sale costs.

2 Integrate personalization and color.

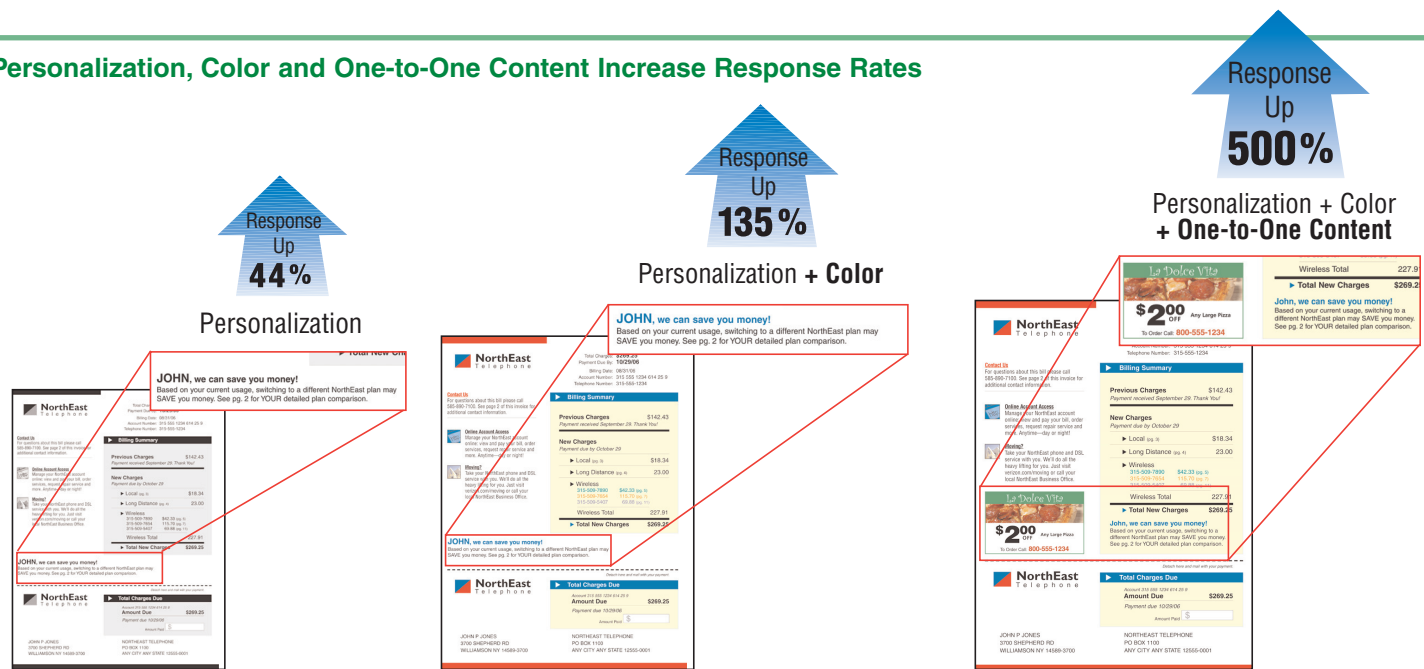
Industry leading one-to-one and color tools transform traditional statements and bills into even more targeted, relevant and effective TransPromo communications. But it's more than just applying promotional content to individual documents. The offer itself must be highly relevant to the recipient.

In the past, transactional documents were designed by the sender for the sender. TransPromo documents are designed by the sender for the recipient. The offers are specific to each recipient's buying patterns, behavior or usage of the firm's services and products.

There's no doubt that effective direct mail communications get results. For example, research shows that simply adding the name of a client to a printed black-and-white marketing piece boosts the response by 44%. The same basic level of personalization added to a color piece increases the response rate by 135%.

When client data is used from company Web sites, client service and support organizations, Client Relationship Management (CRM) systems and specialized market research, custom content adds value and appeal. Relevant, colorful and personalized content can dramatically boost response rates by 500%.⁴

Personalization, Color and One-to-One Content Increase Response Rates



⁴ An Investigation: Direct Mail Response Based on Color, Personalization, Database and Other Factors, by David Broudy and Frank Romano, Rochester Institute of Technology.

Use color strategically to maximize impact.

Using color in documents also provides measurable business results. Research shows that even a single highlight color can improve the impact of a document. But what happens when the entire color palette is used? The effectiveness of documents goes right off the charts.

But it is not as simple as adding color. The way color is used in client communications matters. While traditional graphic design may focus on color's aesthetic benefits, the functional use of color can measurably improve document effectiveness.

Create new, personalized cross-sell/up-sell opportunities in client communications.

Research shows that combining color, personalization and one-to-one customization dramatically improves the performance of direct mail communications, including TransPromo applications.

- ✪ In Japan, for example, a major credit card company is now producing full-color, personalized statements for millions of clients. Along with client account information, the company developed TransPromo documents to include marketing for relevant products and services that would appeal to each individual client.

The opportunity to cross-sell and up-sell clients through a communications vehicle with a high probability of being read helped the credit card company reduce spending on direct mail, which traditionally has a poor response rate. The one-to-one capabilities also let the company build client loyalty and create a “wow” factor by adding non-financial offers that appeal to each client. If you like vegetarian food, for example, your statement may come in the mail with a coupon from the nearest vegetarian restaurant. This is an example of how progressive companies around the world are using one-to-one communications and color to make their TransPromo documents more effective.

While traditional graphic design may focus on color's aesthetic benefits, the functional use of color can measurably improve document effectiveness.

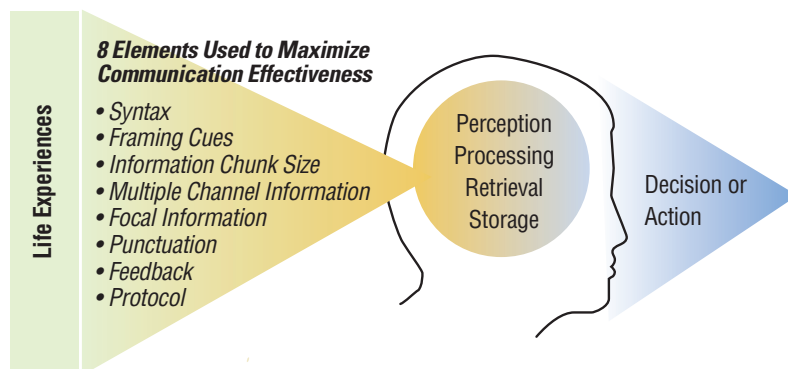
3 Re-engineer client communications—don't just re-design them.

One of the most powerful ways to improve client communications is to re-engineer them. It's not enough to simply redesign documents to achieve a fresh look. Re-engineering can take post-sale client communication to the next level with behavioral science modeling, traditionally used by clinical psychologists. Clinicians have known for decades that structuring a conversation with a client in specific ways makes it easy for clients to absorb and act on complex information. These structures apply to any communication—written or verbal.

Specifically, the structure of the document is used as an active agent to elicit a more beneficial response from the reader—not to trick or manipulate—but to clearly drive more effective business behavior. For example, one of the modeling tools developed by Psychotherapist Stephen Lankton is called the Anatomy of an Interface.

The Anatomy of an Interface is built upon the premise that there are eight key elements in every effective communication.

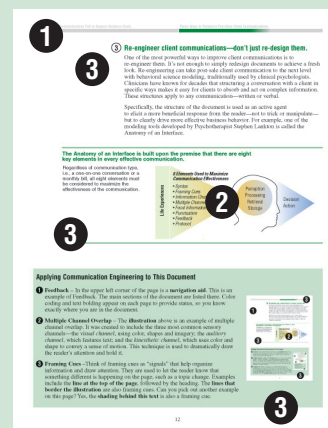
Regardless of communication type, i.e., a one-on-one conversation or a monthly bill, all eight elements must be considered to maximize the effectiveness of the communication.



Applying Communication Engineering

Here are just a few of the techniques used in this document:

- 1 **Feedback** – At the top of the page is a **navigation aid**. This is an example of Feedback. The two main sections of the document are listed there. Color coding appears on each page to provide status, so you know exactly where you are in the document.
- 2 **Multiple Channel Overlap** – The **illustration** above is an example of multiple channel overlap. It was created to include the three most common sensory channels—the *visual channel*, using color, shapes and imagery; the *auditory channel*, which features text; and the *kinesthetic channel*, which uses color and shape to convey a sense of motion. This technique is used to dramatically draw the reader's attention and hold it.
- 3 **Framing Cues** –Think of framing cues as “signals” that help organize information and draw attention. They are used to let the reader know that something different is happening on the page, such as a topic change. Examples include the **green circled number 3** above, followed by the heading. The **lines that border the illustration** are also framing cues. The **shading behind this text** is also a framing cue.



When these eight elements are strategically considered in a communication, document effectiveness is maximized, and changing the document structure changes the experience, which changes the results.

Re-engineering post-sale client communications takes the science of communication effectiveness and applies it to the structure, organization and design of documents. When re-engineering is combined with personalization and the strategic use of color, Xerox clients have experienced great success with their client communications. As a result of communication engineering, clients achieve higher response and lead rates, increasing sales and improved long-term client loyalty.

- ★ One insurance provider analyzed the impact of strategic changes to their client documents with a usability study. The results of this research, shown below, demonstrate that organizations seeking to make a significant improvement in their post-sale client communications would benefit from the combined use of re-engineering, color and personalization. Four document sets were developed for the study and sent to four different groups of 2,500 policyholders at the same time. The number of errors as a result of the documents declined significantly when behavioral science principles and color were applied to the documents.

PROPERTY AND CASUALTY EXAMPLE: The study below demonstrates what happens when you combine strategic color and communication engineering in transactional documents.

Document Set	Description	Errors due to documents
A	Current policy documents with no changes	80
B	Current policy documents using color on specific portions of the documents	50
C	New black and white policy documents reengineered using behavioral science principles	20
D	New, re-engineered documents using strategically applied color	9

Research confirms that flawed client communications increase client care support costs, erode profit margins and decrease revenue. When all client communications are viewed as valuable opportunities to strengthen brand, build loyalty and grow revenue, organizations will discover that improving these documents makes good business sense.

How does this transformation begin? A comprehensive client communications strategy is necessary to provide a road map for change. Marketing must play a considerable role in determining how these communications speak to clients. And when a communication combines insights from marketing and behavioral science with the power of color and personalization, it becomes a well honed agent in the communication experience. It drives behavior that is beneficial to the client and the enterprise and it delivers results. Xerox communication engineering combines all these disciplines and techniques in a unique behavioral science modeling toolkit to maximize the effectiveness of business communications. ■

★ This symbol signifies actual Xerox client experiences.

How to Get Started

The level of change described here can be challenging for organizations. Some may find that changing a few documents is enough to help their business. However, it is critical to change the right documents, in the right ways, to actually see the level of improvement that businesses need. Some organizations already have the skills and resources to change client communications to impact business results. Other organizations lack the specialization.

Xerox provides a wide range of client communications solutions to meet these challenging business needs: consultants who specialize in co-developing client communications strategies and touchpoint maps; behavioral science experts who focus on the communication engineering of client documents and maximizing production effectiveness; technical analysts with expertise in one-to-one personalization and color document production; and specialists who manage end-to-end client communications outsourcing solutions.

Businesses are just beginning to realize how much they can improve strategic business goals by changing the way they view and use their client communications. But special attention must be given to how these changes will occur to improve retention and build loyalty, which can help take advantage of a suite of powerful business benefits ranging from improved word-of-mouth advertising to increased profitability and revenue growth. Xerox has the expertise to help. ■

Best Practices for Moving Forward

Understand how the “changed” document is expected to impact business.

All client communications are not the same. Selecting the right documents to change is critical. First, it is important to understand which documents have interdependencies that, if changed, can cause unintended consequences. Be sure to view client communications and make changes to them as a “family of documents.” Then, define the consequences of the communication to both the client and the enterprise. Failure to connect the impact of the document to both the client and the enterprise is a common cause of disappointing results. Once the consequences are clear for both the old communication and the new communication, you can make the right changes to create the right experience.

Do more than change the look and feel of the communication.

Organizations often recount how many times they have changed their communications—with little effect. This is not surprising if they are focused on the design rather than the consequences of the document.

Remember that the human mind is greatly influenced by the process of communication structure, as well as content.

How a document is structured influences the reader’s behavior. So, it is important to change more than just the content of communications. It is important to use the structure of the communication to influence the reader. Properly structured documents increase the likelihood that client communications will drive the right behaviors and can create a deeper brand experience.



Paul Lundy

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About the Author

Paul Lundy serves as a Managing Director for the Document Outsourcing and Communication Services business of Xerox Global Services. As an experienced high-end printing systems and outsourcing specialist, Lundy leads a team of consultants that work with clients to measurably improve effectiveness through better document design and process re-engineering, while cutting bottom-line expenses.

About Xerox Global Services

Xerox Global Services (XGS) delivers measurable results for companies in industries from aerospace and the financial services to healthcare, government and retail by looking at business challenges in a whole new way. Our more than 15,000 consultants and service delivery experts specialize in managing office assets and output, reengineering document-driven processes and optimizing print production environments.

We employ Smarter Document ManagementSM technologies to add intelligence and structure to both paper and digital documents and activate the content they contain. And we combine our extensive industry expertise with tools like Lean Six Sigma to create a powerful portfolio of services that adds real value to enterprises worldwide.

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