

Getting Personal Across Touchpoints

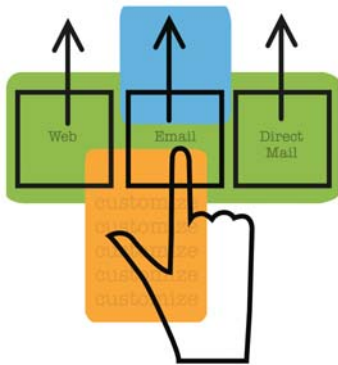
## What's Now and What's Next in 1to1<sup>®</sup> Communications

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Presented by:

**1to1**  
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**XEROX**<sup>®</sup>



**IN BRIEF**

In Q3 2006, *1to1<sup>®</sup> Magazine* and Xerox conducted the first *1to1 Customization Survey*. Over 250 senior decision makers shared how they use multi-channel, custom communications to increase customer loyalty and profits.

# Getting Personal Across Touchpoints

## What's Now and What's Next in 1to1 Communications

### Executive Summary

Custom communications are playing a progressively important role in driving customer loyalty and higher profits. At the same time, prospects and customers are increasingly looking to interact with businesses through a variety of channels. How are these trends converging?

To find out, *1to1 Magazine* and Xerox teamed up to conduct the first *1to1 Customization Survey*. Over 250 senior decision makers from business and IT told us how they are using multi-channel, custom communications to break through buyer apathy and build closer, one-to-one connections. The results are striking. Nearly 42% customize some of their marketing communications across multiple channels, including print, email and the Web. A full 15% customize all of their marketing communications across channels to deliver a fully integrated marketing program.

Companies of all verticals and sizes are seeing robust returns from their 1to1 communication efforts. Three in four report measurable lift in both response rates and sales. A closer look reveals just how strong these returns can be. In direct mail, for example, one in four has captured at least a 25% increase in sales from the use of a number of highly customized elements. On the digital side, one in three has seen response rates to email campaigns jump 10% or more, and in some cases response rates have eclipsed 200%.

Yet even with these successes, companies are not sitting idle. Forty-four percent plan to increase the amount of customization within their direct mail campaigns in the coming year, from account and billing statements to loyalty program information. Nearly 50% plan a similar increase in email and the Web. As they do, they will look to innovations in technology and business process improvements to address their two sharpest challenges: cost (39%) and a lack of tools (33%).

What follows is a slice of the key findings from the *1to1 Customization Survey*. The findings are broken into two groups: What's Now in custom communications, which examines current trends; and What's Next, which forecasts what to look for in the near future in this rapidly growing space.

#### What's Inside

This Research Brief discusses the key findings of the 2006 *1to1 Customization Survey*, including:

- RELEVANCE** Going beyond name and address
- CHANNELS** More is better, but integrated is best
- ELEMENTS** Connecting data points
- RETURNS** Response rates and sales jump
- VERTICALS** Advertising and marketing out front
- SOLUTIONS** Finding the right fit
- FREQUENCY** Getting personal more often
- DEPTH** Taking relevance further
- FOCUS** Connecting with the right customers
- IMPROVEMENT** Overcoming cost, lack of tools

## What's Now

### RELEVANCE Going beyond name and address

Today's custom communications are more targeted, relevant, and powerful than simply adding a name field to a direct mail letter. Forty percent of respondents use customized elements in direct mail pieces in addition to name and address. Among digital channels, email contains the highest number of customizations, with 88% of respondents using some form of customization in email. Overall, the Web is the least customized channel.

### ELEMENTS Connecting data points

Companies are connecting numerous data points to sharpen their customization skills. Items customized within marketing communications pieces include, in rank order, account information, offers for specific products or services, data on specific products or services, pricing, and dealer/retailer location. The three items that respondent companies use most often for customization are purchase history, known preferences, and purchase frequency.

15% of respondents have seen a sales increase of at least 50% through the use of highly customized email.

### Going Deeper with Customization

When asked, "Which of the following marketing communications do you customize," respondents showed they are taking customization across print and digital channels.

#### Direct mail (new customer acquisition)

Name/address only	32.8%
Other customizations (e.g. custom content)	36.1%
Highly customized	16.9%
Not at all	14.2%

#### Direct mail (customer information pieces, e.g. loyalty program, account, or statements)

Name/address only	21.9%
Other customizations (e.g. custom content)	42.1%
Highly customized	16.3%
Not at all	19.7%

#### Direct mail (new offers to existing customers, cross-sell & upsell)

Name/address only	19.0%
Other customizations (e.g. custom content)	43.6%
Highly customized	17.3%
Not at all	20.1%

#### Email

Name/address only	20.9%
Other customizations (e.g. custom content)	40.1%
Highly customized	27.5%
Not at all	11.5%

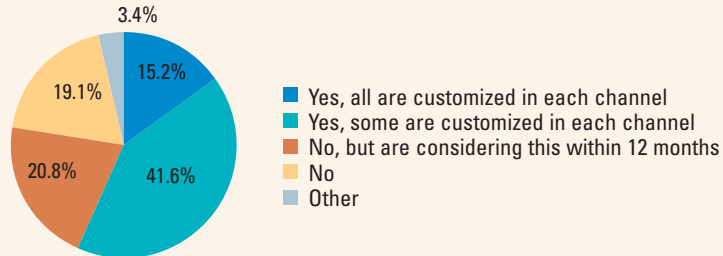
#### Web sites

Name/address only	12.3%
Other customizations (e.g. custom content)	25.7%
Highly customized	26.3%
Not at all	35.8%

One in four respondents have captured at least a 25% jump in sales by using highly customized direct mail.

### Multi-Channel is a Must

Over 55% of survey respondents customize some or all of their marketing communications across multiple channels. Another 20% are considering taking their customization across multiple channels in the next 12 months.



### CHANNELS More is better, but integrated is best

Today's marketers are finding that a single-channel approach to customer engagement is rapidly losing effectiveness. Many are turning to customized communication across channels to stay relevant, build customer loyalty and stave off product commoditization. Seventy-four percent of respondents customize communications over individual channels (direct mail, email or the Web). Four in ten customize some of their communications across channels. The leaders (15%) customize all of their programs and communications across channels to achieve true integration. Only one in five have no plans in place.

### RETURNS Response rates and sales jump

Seventy-five percent of respondents cite higher response rates and sales from the use of highly customized elements in direct mail, email and the Web. A few highlights: Thirty percent have seen at least at 25% jump in email response rates. In direct mail, one in four has captured at least a 25% increase in sales. A surprising 15% of respondents have seen a sales increase of at least 50% through the use of highly customized email.

### VERTICALS Advertising and Marketing out front, Tech and Retail to catch up

Not surprisingly, advertising and marketing firms are the biggest users of custom communications for their own marketing purposes. Over 18% of respondents are from marketing/advertising firms that do so. Those companies that do not customize are spread fairly evenly across industries, with the exceptions of technology services firms and retailers, which are twice as likely as other companies in industries to *not* customize their marketing communications.

### SOLUTIONS Finding the right fit

It takes the right solutions to design and deliver multi-channel custom communications. Firms are looking to capitalize on new customization capabilities and falling prices in print-on-demand to enable more efficient and more effective multi-channel campaigns. To do so respondents most commonly use digital printing technologies (47%), CRM applications (41%), and variable data publishing applications (40%). Thirty-three percent use analytic applications.

## What's Next

### FREQUENCY Getting personal more often

Organizations will do more multi-channel, custom communications going forward. Just under half of respondents plan to increase the frequency of customized direct mail in order to acquire, cross-sell and upsell customers. Digital channels will also receive more attention. Fifty-four percent plan to increase the frequency of customized emails, and 42% have similar plans for the Web.

To improve the effectiveness of multi-channel, custom communications, expect organizations to seek out solutions that enable greater scalability at lower cost.

### Get, Keep and Grow

Organizations are using custom communications to acquire new customers and close more deals, retain high-value customers longer and increase wallet share through targeted cross-sell and upsell offers.

New customer acquisition	70.6%
Upsell or cross-sell of existing customers	70.1%
Follow-up to help close an in-progress deal or transaction	53.5%
Other	5.3%

### DEPTH Taking relevance further

Relevancy leads to results. Forty-four percent of respondents are planning to increase the amount of customization in their direct mail pieces over the next 12 months. Marketing communications designed to cross-sell and upsell existing customers will receive the greatest focus. Over half of respondents plan to increase customization in email, and four in ten will do so on their Web sites.

### FOCUS Connecting with the right customers

Leading organizations use custom, 1to1 communications to keep their most valuable customers loyal and grow the value of others. Nearly 50% of survey respondents rely on custom communications to connect with high-value customers and target demographic segments. One-third use custom communications to reach out to behavioral/trigger-based segments. Interacting with high growth potential customers was also cited as a key priority.

### IMPROVEMENT Overcoming barriers of cost, lack of tools

What challenges tied to custom communications will organizations look to overcome in the near future? The answer depends on the channels they use most. At 34%, cost is most commonly cited as a barrier to further customization of print, followed by data issues and the lack of tools. In digital channels, however, data issues are cited most frequently as the top barrier (23%), followed closely by a lack of tools (19%). To improve the effectiveness of their multi-channel, custom communications, expect organizations to seek out technology solutions that enable greater scalability at lower cost.

When asked to select the top barriers to further customizing their marketing communications, only 3% of end-user companies said they did not have the right partner.

### Study Shows Vendors Still on Target but Need to Redouble Customer Focus

There is plenty of good news for marketing services vendors in the *1to1 Customization Survey*. In the coming 12 months, companies of all sizes and across verticals plan to increase the frequency and the depth of their custom communications programs. Moreover, end-user companies appear satisfied with their choice of vendor. When asked to select the top barriers to further customizing their marketing communications, only 3% said they did not have the right partner.

However, the data also shows that there is room for improvement for vendors, especially when it comes to recognizing the top challenges of their clients. In a separate, supplemental study to the *1to1 Customization Survey*, *1to1 Magazine* and Xerox surveyed 70 marketing services vendors on how their clients use multi-channel communications to boost response and revenues. When asked, "What is the primary barrier your clients encounter to further customizing their marketing communications," 35% of vendors pegged data issues as the key barrier stopping their clients from further customizing print. On the digital side, vendors pushed data issues back to a distant third (14%) and lack of tools came in fourth (12%).

Their customers don't necessarily agree. In print, for example, end-user companies said cost (34%) is their biggest barrier to further customizing their communications. As for doing greater customization on digital channels, data issues was the top barrier (23%), followed by a lack of tools (19%). These findings suggest that vendors have to dig a bit deeper to identify and solve the key challenges of their customers, including how to price their products and services even more competitively going forward.

#### Getting Ready for Growth

Marketing services and technology providers foresee rapid growth in multi-channel, 1to1 communications in the next year. Vendors expect their clients to increase the frequency and the depth of their custom communications, especially in direct mail.

	Frequency	Depth
Direct mail (new customer acquisition)	78%	82%
Direct mail (customer information pieces)	68%	70%
Direct mail (new offers to existing customers, cross-sell & upsell)	74%	77%
Email	37%	37%
Web sites	31%	38%

## About the 1to1 Customization Survey

The *1to1 Customization Survey* was conducted by *1to1 Magazine* and Xerox in Q3 2006. A total of 251 senior decision makers took part in the survey, including corporate/general management, marketing, sales, customer service/support, IT and finance/operations. A range of verticals were represented, including advertising and marketing, retail, healthcare, telecom, automotive, pharmaceuticals, financial services and non-profit. Participants were surveyed on their current use of custom communications within their marketing activities and their plans to use custom communications over the next twelve months. The survey covered three marketing communication channels: Direct mail (including new customer acquisition, customer information pieces and new offers), email, and Web sites.

### About 1to1 Media

Led by *1to1 Magazine*, 1to1 Media is dedicated to helping organizations realize the greatest value from their customer base. We provide resources that deliver current and relevant information on the latest thought leadership regarding customer strategy and marketplace trends.

1to1 Media's print, electronic and custom publications explore the best practices, trends and developments from companies who are using customer initiatives to drive bottom-line impact. Backed by Peppers & Rogers Group, the globally-recognized leader in customer strategy and relationship marketing, 1to1 Media combines thought leadership, field experience, editorial expertise and global brand awareness to deliver the content needed by our audience of more than 250,000 decision-makers and practitioners. [www.1to1media.com](http://www.1to1media.com)

### About Xerox

Xerox Corporation (NYSE:XRX) is a \$15.7 billion technology and services enterprise that helps businesses deploy Smarter Document Management<sup>(SM)</sup> strategies and find better ways to work. Its intent is to constantly lead with innovative technologies, products and services that customers can depend upon to improve business results.

Xerox provides the document industry's broadest portfolio of offerings. Digital systems include color and black-and-white printing and publishing systems, digital presses and "book factories," multifunction devices, laser and solid ink network printers, copiers and fax machines. Xerox's services expertise is unmatched and includes helping businesses develop online document archives, analyzing how employees can most efficiently share documents and knowledge in the office, operating in-house print shops or mailrooms, and building Web-based processes for personalizing direct mail, invoices, brochures and more.

Headquartered in Stamford, Conn., Xerox is No. 142 among the *Fortune* 500 with 55,200 employees worldwide, including 29,700 in the United States (December 2005). The company's operations are guided by customer-focused and employee-centered core values — such as social responsibility, diversity and quality — augmented by a passion for innovation, speed and adaptability.