

White Paper

Initiating change in the Financial
Services Industry:

Gaining competitive advantages with relevant client communications.

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Like all companies operating in today's competitive environment, financial institutions are challenged with finding new and creative ways to stretch their marketing budgets and *do more with less*. Communicating with customers as they have in the past simply isn't generating the quantitative or qualitative results desired.

Introduction

Client communications and CRM initiatives are key areas in which Financial Services and Insurance carriers can simultaneously cut costs, grow revenue, and increase the loyalty and satisfaction of their customers and producers. Yet many organizations have not implemented new communication methodologies and practices that enable these benefits. Even the companies that are able to extract relevant data from customers have difficulties leveraging the information they capture.

In September 2002 and April 2003, as part of ongoing market research on the opportunities available to bolster client communications, Xerox Global Services conducted two executive workshops to better understand the challenges related to marketing and sales communications within the Financial Services industry.

The findings of these workshops are representative of the entire industry—acknowledging that while there are certainly barriers to developing and delivering effective communications, there are also new and innovative ways to create, produce, and distribute sales and marketing material to achieve scheduled, measurable results.

Barriers to developing and delivering effective communications

Cost Effectiveness

- Difficult to measure true kit cost
- Difficult to define, measure, and analyze “effectiveness”
- Lack of standards
- Over-ordering by business producers
- Material obsolescence
- Variety of materials
- Numbers of forms
- Supplies and materials cost too high
- High initial cost of technology
- Fragmented manual processes drive up hidden costs

Timely Delivery

- Balancing producer demands for speed and customization
- Customization requires manual fulfillment
- Multiple solutions
- Multiple people, inputs, and iterations
- Changes in materials
- Staffing for volume peaks
- Just-in-time (JIT) delivery of finished pieces
- Speed of printing
- Variability in input image size
- Secure delivery via email can be compromised

Communication Effectiveness

- Difficulties with measuring the sales impact of marketing collateral
- Relevance (personalization/customization) is not possible with traditional production methods
- Availability of skills to design variable communications
- Difficult to achieve quality in both print output and Web output
- Challenge of designing effective content and optimizing fulfillment across multiple media
- Accessing sufficient customer data can be challenging
- Customer communication is often disconnected across lines of business; brand consistency and communication effectiveness is compromised
- Compliance with privacy requirements is challenging

Data Integrity and Accuracy

- Errors in delivered kits, expensive re-work
- Errors in customer names
- Integrity, accuracy of variable data
- Non-proprietary formats
- Lack of effective forms library
- Front-end system errors – input, order, editing, accuracy
- Content is often stored in disparate off-line and on-line repositories

Barrier #1: cost effectiveness

A key obstacle hindering the reengineering of traditional marketing communications is the inability to identify the total cost of producing and maintaining marketing materials beyond the obvious unit 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.

The costs associated with sales and marketing materials continue to increase even after the collateral is printed. 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 (*warehousing costs*) until they are distributed (*order process, fulfillment, and courier costs*) or thrown away because the content of the collateral becomes outdated before it can be used (*obsolescence costs*). 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.”

Additionally, offset production limits the ability to personalize and customize documents for individual recipients, negatively impacting the potential results of the communications. While tailoring is possible by offset printing “document shells” and running them through digital print technology for customization/personalization, this method adds cost, printing and fulfillment complexity, and the risk of error to the process.

Barrier #2: communication effectiveness

Justifying communications expenditures is a constant challenge, and measuring actual results in business terms (i.e. increased sales, decreased cost per sale) from 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.

Ideally, collaterals should have a direct and telling impact on sales results. 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, such as units ordered and receiving anecdotal feedback from producers.

While a few leading edge Financial Services organizations have begun customizing materials to better target an audience base and improve the effectiveness of communications, most have not. Utilizing new technologies for custom composition, personalization, and print on demand is not widespread and requires change in strategy, design and process. Additionally, there are perceived challenges associated with customization, including higher cost-per-unit versus offset printing, expensive and error-prone manual fulfillment, and the lack of digital color printing technology capable of producing high volumes of quality communications.

Barrier #3: timely delivery

Financial Services organizations are tasked with ensuring up-to-date and timely delivery of state-compliant materials. Yet workshop participants identified the complexity of current processes, which involve many internal departments and state regulatory agencies, as the primary barrier to timely delivery. Companies frequently compromise on desired changes due to the time delays associated with re-filing with state regulators.

To compound the challenge, materials change frequently, but producers still require immediate turnaround. To meet these tight timeframes using traditional methods of production, organizations must incur rush charges from the offset printer as well as manual handling and expensive courier fees.

Barrier #4: data integrity and accuracy

In order to exploit the potential of personalization and full color digital printing, it is critical to efficiently capture and use client data according to emerging privacy legislation.

While Financial Services institutions enthusiastically embrace the potential business results associated with personalizing communications, many are hesitant to dive head-first into personalization 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.

Overcoming barriers through strategy, process, and technology

Despite the supposed barriers to producing and delivering effective, personalized client communications on demand, some leading Financial Services organizations have found success by implementing the very practices that are perceived by others as too costly or too challenging.

These Financial Services organizations have reengineered their traditional marketing communications, undergoing a shift in both methodology and tactics.

- They incorporate known data about audience members to generate individualized communications that are known to be relevant to each recipient. They allow the producer to order a tailored communication through the Web-based ordering interface.
- They no longer focus on the cost per unit of document production, but rather on the cost per result (i.e. lead, response, sale). Producing customized and personalized communications on digital color printers may cost more per unit to print, but they yield higher response rates and offer an opportunity for faster turnaround and increased returns on investments. According to research performed by Romano and Broudy¹, personalized, full color direct marketing materials have a profound effect on customer response and purchase behavior, including:
 - 34% faster rate of response
 - 48% increase in repeat orders
 - 25% greater average value of each order
 - 32% increase in overall revenue

¹ Broudy and Romano. "An Investigation: Direct Mail Responses Based on Colour, Personalisation, Database, and other Factors", Digital Print Council, White Paper No. 1, October 1999.

Perhaps a workshop participant summarized it best: “companies that do not embrace full color personalized communications would be at a competitive disadvantage.”

- They involve customers (producers and end clients) in the design phases. In many cases, the business producer is the primary consumer of the marketing collateral. All too often, collateral is developed without incorporating the producer’s requirements.
- They are migrating from offset printing, which takes weeks for document turnaround to Just In Time printing, which means they produce sales and marketing communications in exact quantities as they are needed in a matter of hours. Just In Time production also reduces or eliminates warehousing, fulfillment, and obsolescence costs.
- They couple Just In Time production with effective document and content management in a distributed Web environment to ensure simple and instant access to critical business information as well as optimal fulfillment across multiple media. When content is digital, it becomes easier to archive, index, access, distribute, and incorporate into a variety of electronic and/or hardcopy media. It also becomes easier to maintain brand consistency across lines of business and enables more effective multi-channel customer communication (via the internet, email and physical mail).
- They are rebuilding processes to ensure Marketing and Information Technology executives work together to exploit the potential of digital communication technologies and services. Working collaboratively, IT and Marketing departments can ensure the information and data required for relevance is accurate, easily accessible and leveraged to achieve desired results.

Using new production methods and emerging technologies enable organizations to benefit from high quality, digital color communications that are targeted not only at certain demographics or psychographics, but at individual clients.

Theory put in action

While the use of personalization has not become widespread across the industry, there are some leading organizations that have benefited greatly from targeting specific customers with specific messages.

Prudential

The Retirement Services unit of Prudential Financial Inc. (NYSE: PRU) now offers non-mega-plan participants highly personalized education and enrollment materials. Prudential has the capacity to communicate with plan participants based on age, salary, years to retirement, and even plan provisions like company match.

“The best way to communicate with participants is through messages that specifically target their individual circumstances and needs,” says Paul Chong, Executive Vice President, Retirement Services. “Our solution will dramatically improve the way retirement planning information is presented, which will lead to participants making informed decisions regarding their financial futures. What makes this solution unique is we will provide it in either hard copy or via the Web, whichever way the participant prefers,” Chong added.

Using personalization, a younger employee with no retirement savings, for example, would receive important messaging about the power of starting early, the impact of compounding, and the benefits of dollar-cost-averaging. An employee closer to retirement, on the other hand, would receive a different message about asset allocation, distribution options and how to “catch-up” their savings to help meet retirement goals.

“Based on our *Employee Opinions on Retirement Plans: A Benchmark Study on Retirement Perceptions*, 91 percent of American workers say a personalized projection of how much money they need to save for retirement – taking into account age and income – is a reliable way to calculate the amount they need to set aside to reach their retirement goal,” says John Corrieri, Vice President, Marketing and Communications, Retirement Services. “Personalization is clearly key to helping participants eliminate the guesswork in how much he or she needs to save for retirement. We’re helping them to overcome one of the most difficult hurdles in saving for retirement ... determining a reliable savings goal.”

Sun Life Financial

Sun Life Assurance Company of Canada provides financial and insurance products and services throughout Canada using two distinct brands: Sun Life Financial and Clarica. It was looking for a way to improve its client communications by making them more personal and individually relevant.

Stephen Young, manager of Wholesale Business Development & Promotion, says the company decided to create personalized brochures for its sales-force network of more than 4,000 independent Clarica advisors.

Sun Life mass customized its life-insurance brochures based on client category, language and advisor, then printed them on-demand based on sales-force interest in a six-week trial.

At that time, the customized brochures were more expensive than the generic pieces — CDN\$.60 vs. CDN\$.22 each — and advisors could only view samples online. But the results overrode any initial concerns, according to Young. Within six weeks, 15 percent of the sales force requested 27,300 brochures, nearly matching former 52-week counts of 34,000 brochure orders. In the past three years, his team has moved more than 40 pieces of collateral material online, personalized with advisors' photos and contact information.

And there are savings from not having inventoried brochures gather dust, as well as the ability to make near real-time revisions. "The very next piece through the digital color printer is [current]," Young notes.

Taking it a step further, Sun Life created a customized direct mailing for Clarica advisors aimed at a few hundred clients with more than CDN\$100,000 under management. The goal was straightforward: Get clients to call their advisors. Ten percent did, which isn't bad considering the average direct-mail response rate is about 2 percent. Eighty-seven percent of those contacts resulted in appointments with advisors to review investments; 11.5 percent of visits turned into additional sales. Sun Life then offered the mailing to other Clarica advisors around the country. Those that ordered saw an average 15 percent response, according to Young.

Sun Life also coupled personalization with predictive modeling. Each direct-mail piece featured three "next best" product offerings that the

customer was most likely to buy, based on analysis of a client's current products, historical data, age, income and other information. Each mailing piece was specific to that client and delivered as one of four different designs, based largely on the client's age. While the final results of this first-time experiment were interrupted by the integration of Sun Life Financial and Clarica, the data filters, predictive modules, and multi-source variable printing worked flawlessly.

Future plans call for bringing high degrees of personalization and customization to a multi-channel approach, including private labeling, variable CRM collateral, and relationship targeting. The possibilities are endless when it comes to using data to understand customers' needs, and then targeting communications across all channels, Young feels. He notes that, "Personalization and variability change how you think and act." Sun Life's program is a step ahead of the curve, according to Larry Hawes, senior advisor with The Delphi Group. "Most companies are still locked into collecting information about customers; they're not yet pushing information [i.e. customized documents] out to them," he says. "Sun Life's program makes use of CRM strategy by getting the right information to its customers."

As can be clearly seen by the Prudential and Sun Life Financial examples, leveraging emerging technologies to produce full color personalized communications can have a profound effect on an organization's CRM initiatives as well as their overall profitability.

Xerox Global Services, a division of Xerox Corporation, provides a complete set of offerings that range from business assessments to systems implementation and managed services. The Personalized Communication Services Practice enables clients to increase profits and customer service by exploiting an underutilized marketing channel - customer communications.

Xerox Global Services' comprehensive marketing communication consultation and full suite of solutions enable you to create cost-effective, hard-hitting sales and marketing material. Our consultants deploy best-of-breed technologies including the groundbreaking DocuColor iGen3 Digital Production Press. We complement the services provided by your creative and direct marketing agencies by providing expertise to measurably improve customer communications.

For more information on Xerox Global Services or Personalized Communication Services, visit www.xerox.com/globalservices or contact Brian Stancampiano at brian.stancampiano@xerox.com 585-264-2593.

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