Pivotal

THOUGHTS

*Ideas for customer-focused
senior executives*

Cutting

costs

by better

managing

customer

communication

PitneyBowes

"What we have here is a failure to communicate."

That immortal line from the classic movie Cool Hand Luke can just as easily be applied to today's marketing environment. At a time when the power pendulum has swung dramatically to the side of customers, businesses are trying to find more effective ways to talk to them…and often coming up short.

That is why we chose "improving customer communication" as the topic for this inaugural issue of Pivotal Thoughts. This issue discusses how a proven effective communication strategy is being used today by forward-thinking, customer-focused companies to unlock the value of their customers. Also, on page 8 you'll find "Beyond the Envelope," Pitney Bowes ongoing series of events for senior-level executives.

I hope you find Pivotal Thoughts a worthwhile resource, and I would like to hear your feedback. Please feel free to email me at executiveview@pb.com with any comments and suggestions. And look for Issue Two soon!

Sincerely,

Matthew L. Sawyer
Editor-in-Chief

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When BAD communications happen to GOOD companies

by Bernie Gracy

> *Technology has allowed enterprises to get a sharper, more comprehensive picture of their customers than ever before — yet communicating with those customers is perhaps more problematic than it's ever been.*

If the most dramatic evolution in today's marketplace is the increasing power of customers, why do so many companies still have trouble communicating with them?

It's a tantalizing question. After all, the profitable growth that has been so elusive in recent years will come not from products or services or territories. It will come from customers. So wouldn't it be wise for today's enterprise to refocus its efforts outwardly to the marketplace?

Geoff Colvin, Fortune® editor and co-anchor of "Wall $treet Week," believes so. In his recently released book, "Angel Customers & Demon Customers," Colvin argues that business leaders should think of their companies not as a group of products, functions or geographic regions, but as a portfolio of customers that should be managed to produce superior returns for shareholders.

Indeed, one of the true paradoxes of doing business in the millennium is that technology has allowed enterprises to get a sharper, more comprehensive picture of their customers than ever before — yet communicating with those customers seems more problematic than it's ever been. Today's corporations must coordinate customer information drawn from multiple databases, and deliver relevant, accurate, timely information to customers in both digital and paper documents.

Three prevalent problems

So, how exactly does bad communication happen to good companies? Research points to three prevalent scenarios.

Botching the customer relationship. Three separate invoices are mailed to a single household. A three-year-old named Emily receives a solicitation for a bank's platinum credit card with a $25,000 credit limit. (Area toy stores rejoice.) Is there anything more frustrating to a customer than the realization that a company knows nothing about them? Is there anything more damaging to a potential relationship with that customer?

Contributing to corporate waste. Gaps in an enterprise's communications flow create internal waste.

Bernie Gracy is Vice President and General Manager Professional Services, Document Messaging Technologies at Pitney Bowes.

Communication Chain Management is a process for optimizing and integrating all data, documents and messages flowing between an enterprise and its customers.

And none are more glaring than in accounting, where critical invoices are slow to reach customers…where inconsistencies abound between print and online statements…where errors are made, then left uncorrected. All because there's no adequate system in place for efficient communication.

Missing revenue opportunities. Can smart people produce dumb communications? It happens every day, because valuable customer information sits in departmental silos instead of being shared across the enterprise. Just one example: individualized promotional offers could be embedded in invoices (the only customer communications to enjoy almost a 100% open rate). Yet these cross-sell and up-sell opportunities are often lost. And so are customers.

Significant cost implications

Recent estimates put the cost of customer communications to corporate America at about 15% of total annual revenues, accounting for 60% of office workers' time. Yet 85% of these communications are never retrieved, 50% are duplicated, and 60% are simply obsolete.

Not surprisingly, all this inefficiency has significant cost implications. America's leading banks recently calculated that problems in reporting customer activity cause brand damage to the tune of $50 million per year, or 20% of total activity reporting costs.

The problems associated with inefficient customer communications can run deeper than bottom-line costs, however. By extension, it has a detrimental effect on customer relationships, as poor usability and cross-channel inconsistencies erode customer perceptions and jeopardize brand equity.

CCM: A communication strategy emerges

What's required, obviously, is a well-thought-out plan for communicating with the customer — a holistic approach that aligns and integrates disparate elements of the communication chain. And corporate decision-makers certainly recognize the need. Forrester Research recently reported that senior executives are seeking to understand the cost of communications, individual customer behavior, and the profitability of customer segments.

The goal: to determine the best and most profitable way for engaging in a continual, profitable dialog with their customers.

In recent years, a definitive strategy has emerged, and is gaining impressive traction. It's called Communication Chain Management, or CCM, defined as a process for optimizing and integrating all data, documents and messages flowing between an enterprise and its customers, and among various stakeholders within the enterprise itself.

Eliminating waste is the cornerstone of any cost-cutting plan — and not coincidentally, it's also the essence of Communication Chain Management. Simply put, CCM removes waste and inefficiency from the outgoing message stream. In doing so, it reduces the costs of producing messages, of servicing customers, of handling data, and of managing regulatory and legal compliance issues.

Beyond cost reductions are revenues and relationships

While cost reductions are typically the most immediately enticing of Communication Chain Management benefits, many businesses that have implemented a successful CCM strategy speak of three tangential advantages:

• Enhanced revenues. CCM can boost a company's share-of-customer by cross-selling, up-selling

and coordinating cross-channel campaigns. In addition, it can improve cash flow by accelerating remittance cycles.

• Improved customer relationships. CCM can improve the quality and accessibility of data at multiple customer touch points, providing customers with a choice of channels for payment and other interactions. Messages can be personalized to improve response rates, and unproductive customer communications can be eliminated.

• Optimized legacy systems. Importantly to cash-strapped businesses, a successful CCM implementation doesn't require a costly IT system upheaval; rather, it harnesses existing system assets to improve communication flow.

Unlocking the value of the customer

Communication is the face of a business to its customers. It carries a company's philosophy, its style, its work ethic, its personality. Whether an invoice or a statement or a promotional mailing or e-mail, every piece of communication is an opportunity to impress and strengthen the relationship between a company and its customers.

Communication Chain Management represents a solid, proven means to that end, demonstrating how improved customer communication can reduce costs, minimize inefficiencies, and unlock the value of the most influential member of the marketing continuum: the customer.

While CCM is a comprehensive, closed-loop process, today's companies are finding ways to employ strategic portions of it to achieve business efficiencies and enhance customer service. Here are a few examples...

STOP THE PRESSES:
Postage logistics streamlined

Challenge:

The world's largest commercial print company, with over 160 facilities in 17 countries, was looking for a way to improve customer satisfaction, mail system productivity and cost controls.

Solution:

They found a key solution in a new digital mailing technology. Networked to the post office, it replenishes postage automatically and instantly, replacing a tedious manual process.

Result:

The new CCM technology calculates correct postage on every package, and also gives this printer the tools and tracking data to manage costs, boost productivity, and enhance customer service.

Faster order fulfillment
is MUSIC to customers' ears

Challenge:

One of the world's largest audio CD distributors — with over 13,000 titles in inventory — wanted to increase the speed with which it fulfilled customers' orders.

Solution:

The company had invested in state-of-the-art robotics, but because of legacy software, they were still sorting orders manually and inefficiently. Then a new system was implemented.

Result:

Today, the company intercepts, manipulates and sequences customer orders with maximum automation and efficiency. Costs have been cut by 2/3. Manual fulfillment has been reduced to 2% of orders. Manual errors have been virtually eliminated. And all customer orders are shipped on the day they're received.

• TO ACHIEVE INTEGRATED CUSTOMER COMMUNICATION?

PREPARE	TRANSFORM	INTEGRATE	DISTRIBUTE	RETURN

INCOMING DATA

DATA QUALITY → A, B, C, D → CONSOLIDATION → Print, Web/E-mail, Voice → CUSTOMER RESPONSE VIA WEB, PRINT AND CALL CENTER

CONTINUOUS CYCLE

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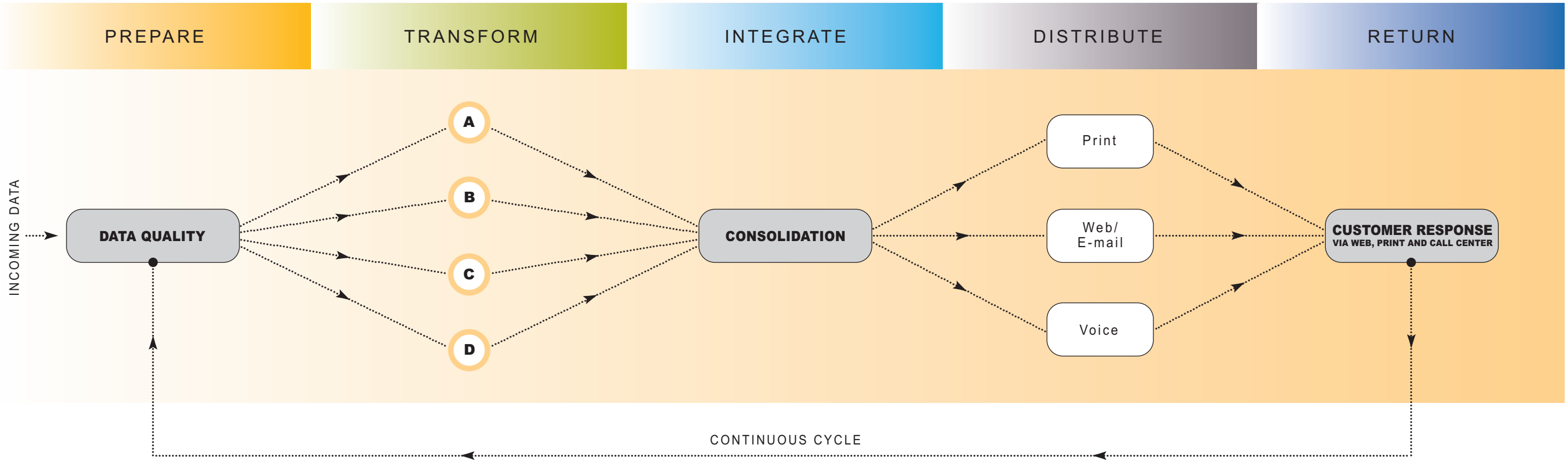
1. PREPARE

Data extraction and cleansing

For many corporations, customer data is plentiful, but it's trapped in incompatible formats, often in legacy systems that are too costly to upgrade. An integrated CCM system extracts this data without expensive upgrades, then cleanses it, by:
• Cross-referencing data to flush out inconsistencies and duplication
• Cleansing data for correct addressing, eliminating costly returned mail
• Updating data for more cost-effective maintenance.

Once integrated and cleansed, this information becomes a far more powerful resource for strengthening customer relationships and improving share-of-customer.

2. TRANSFORM

Turning data into communication

Once customer data is consistent and clean, this step allows a business to organize and change how that data is presented. Information is structured to serve both individual customers and service representatives. Data is reformatted into more effective displays, creating an information hierarchy for all customer communications, including invoices and marketing offers.

Both print and electronic reformatting are then tested for usability, ensuring that data is displayed in a format that's easy for customers to use and react to.

Incoming Data Sources
A. Customer profile data
B. Customer information
C. Transaction data
D. Direct marketing data

3. INTEGRATE

Aggregating and consolidating messages

In Step 3, multiple accounts at a single address are aggregated into consistently formatted electronic screen and print documents. Then, a new level of customization is added to the message.

Personalized content is embedded into documents, so individualized offers can be printed on a monthly statement. In the print stream, this dramatically cuts postage costs, while just as dramatically raising response rates.

4. DISTRIBUTE

Optimizing, routing and tracking

This step ensures that customers get what they want, when they want it, in the format they want it in. Multi-channel opportunities are optimized, providing consistency in all customer communication channels — online, mail and call centers.

Applying CCM principles to sorting, routing and tracking outbound messages can improve the predictability of delivery, shorten delivery cycles, and reduce postage costs, as well as establish multiple mailing points to accelerate the delivery schedule. Finally, outbound tracking technologies identify and trace each mail piece at every point in the delivery stream.

5. RETURN

Carrier tracking of inbound and outbound mail

Through state-of-the-art mail tracking technology, outbound and inbound mailpiece tracking can be linked to individual customers and to documents, by using couriers' 11-digit tracking numbers.

These new technologies can monitor the progress of customer remittances to the organization, resulting in tighter cash flow management, more timely reminders, and automated updating of call center records. Tracking data and message archives can be integrated into CRM systems and other enterprise applications, so staff can access messages in real time. That reduces the duration and frequency of calls, and bolsters the call center's effectiveness as a sales channel.

A CLEAR statement from a financial services giant

Challenge:
The private client services and technology division of a major financial services company needed a better way to evaluate the processing of its customer statements, comprising more than 80 million multi-page documents annually.

Solution:
The company implemented a unique Communication Chain Management software platform that measures performance and identifies areas where time is lost.

Result:
With the efficiencies resulting from their new CCM system, the company has saved over $1 million a year, plus an additional $2 million that was previously required for added equipment and personnel. Statement rework has been reduced by 50%, and processing time accelerated by a full two days. And customers are delighted by the convenience of a single, consolidated statement.

See
how
it
works
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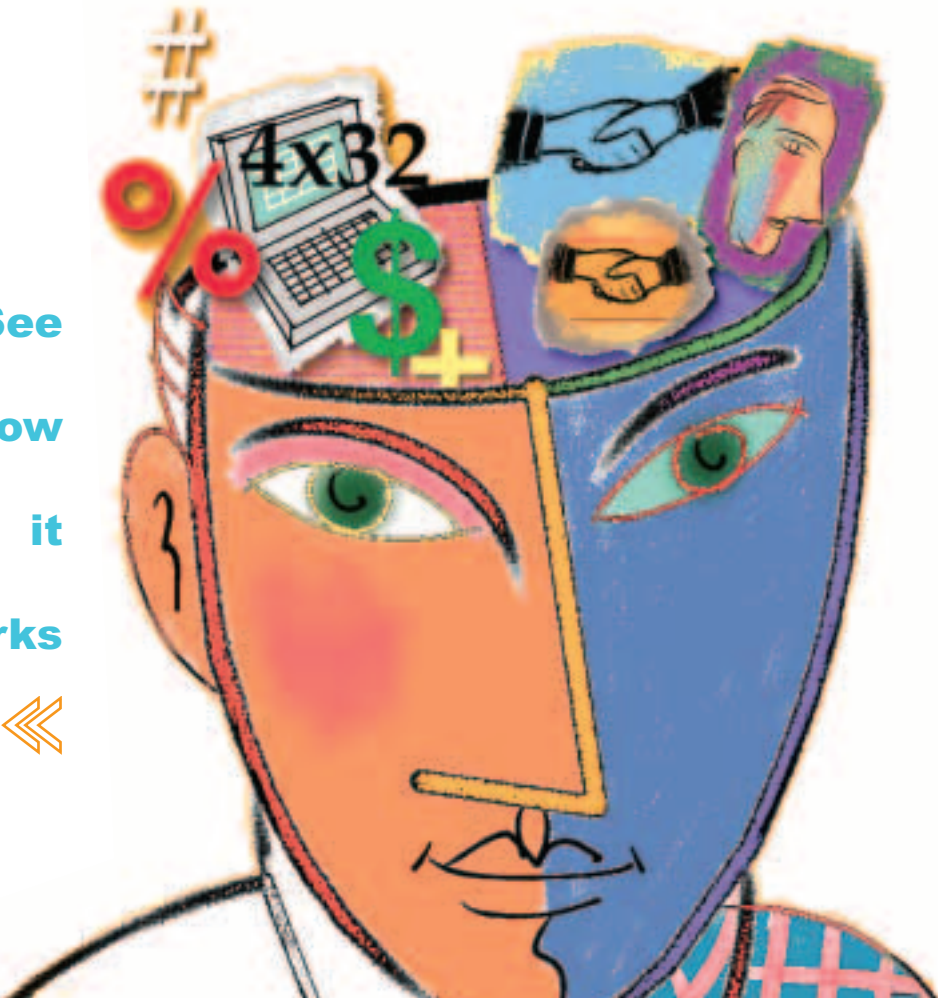
An ongoing series of events for senior-level executives

Pitney Bowes "Beyond the Envelope" events bring together senior-level executives with America's business thought leaders to explore today's most timely business topics. Here are some recent and upcoming events. **To learn more about these and other Beyond the Envelope events, log on to www.pb.com/pivotalthoughts.**
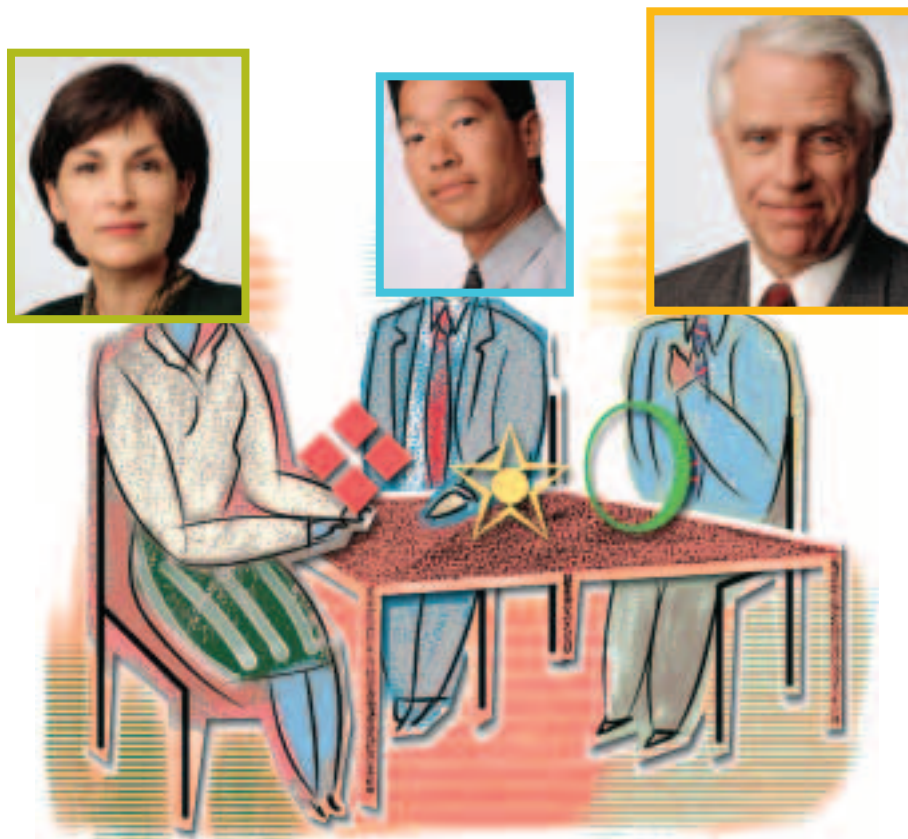
ROUNDTABLE WITH GEOFF COLVIN

A clash of good and evil:
Angel Customers & Demon Customers

What is an "angel" customer? A "demon" customer? The answers can help a business decision-maker formulate a winning go-to-market strategy. Geoff Colvin, Senior Editor at Large of FORTUNE® magazine and co-anchor of Wall $treet Week with FORTUNE, recently led a thought-provoking discussion on how managing communications to each customer can help increase profits, raise stock price and improve overall operations.

WEBINAR WITH MARTHA ROGERS, DANIEL LACKNER AND BERNIE GRACY

"Thank you, sir, may I have another?"
How sending bills increases customer loyalty

The invoice as a tool to fortify customer relationships? So say three professionals at the top of their respective industries: Martha Rogers, Ph.D., Founding Partner of Peppers & Rogers Group; Daniel Lackner, VP Analytics and Marketing Products for Siebel Systems; and Bernie Gracy, VP and GM Professional Services, Pitney Bowes Document Messaging Technologies. The trio discussed the benefits of using transactional mail as part of a successful Customer Relationship Management (CRM) initiative.

WEBCAST WITH CLAY CHRISTENSEN

Innovation at Work:
Creating & sustaining successful growth

How are growth companies born? And how do they keep growing? In a live webcast, renowned Harvard Business School professor Clayton Christensen presented Innovation at Work: Creating and sustaining successful growth. According to Dr. Christensen, among the most important things an innovation-focused business can do is listen — to its customers and non-customers as well.

DINNER WITH CASPAR WEINBERGER AND MICHAEL CRITELLI

Cap on Critical Communications:
Post-9/11 system security

Among the many ways that the world has changed since September 11, 2001 is a sharpened focus on uninterrupted flow of business communications. At a fascinating executive dinner co-keynoted by Caspar "Cap" Weinberger, Chairman of Forbes, Inc. and former U.S. Secretary of Defense, and Michael J. Critelli, Chairman and CEO of Pitney Bowes Inc., the discussion centered on understanding what's required to ensure secure 24/7/365 communication in an emergency.

50TH ANNIVERSARY OF FORTUNE 500

The Gold Standard:
Celebrating Five Decades of The Fortune 500

2004
marks the
golden anniversary of
the vaunted FORTUNE 500
listing, first compiled by FORTUNE
magazine in 1955. Pitney Bowes is pleased
to join IBM, AT&T, Hewitt Associates, and Royal
Bank of Scotland as proud sponsors of the year-long celebra-
tion. It's entirely appropriate that the 50th anniversary's theme
is "Innovation in Business." The year will be chock full of special events;
check www.pb.com/pivotalthoughts on a continual basis to stay up to date.

LEADING THE • CHARGE

If Communication Chain Management is the definitive strategy for enhancing customer relationships, Pitney Bowes is the definitive strategist of CCM, showing companies how to make their outward-facing communications work harder, while reducing costs, in four key ways:

Sending the right message to the right customer.

If your company has ever sent three invoices to the same customer, or mailed an introductory offer to someone who's been a customer for years, you're not alone. The corporate world is rife with stories like these. Over time, companies can waste millions of dollars on duplicated messages and wrong addresses.

Pitney Bowes can help you solve it. Two CCM processes, "database cleansing" and "householding," yield streamlined, error-free customer databases, dramatically increasing mailing efficiency and cost-effectiveness. Pitney Bowes is helping companies to significantly improve their customer relationships by enabling them to send the right message to the right customer at the right time.

Transforming monthly statements into marketing tools.

Face it. Monthly statements may be your only customer communication that's real-time, tailored, opened and read. At the very least, they generate far higher response rates, at lower cost, than marketing-specific pieces. So savvy companies are using statements and invoices as marketing tools. With Pitney Bowes' document composition solutions, companies are embedding personalized marketing messages directly into customer invoices or statements. Whether paper or digital, these statements are delivering powerful messages that customers literally cannot ignore.

Making customer communications visible to call center staff.

As part of Pitney Bowes' ongoing commitment to superior customer service via call center, interactive voice recognition, and Web, a valuable suite of software solutions can connect customer communications and message tracking information directly to a company call center. These closed-loop messaging solutions integrate customer documents with delivery tracking information, to enable fast and thorough call resolution. That can boost call center performance across the board, while leveraging information across the enterprise. The result: better customer service.

Improving cash flow by making invoices more effective.

Pitney Bowes' digital document delivery billing and statement solution is tailored to today's computer-enabled consumers. It leverages a company's existing applications by presenting messages via customers' preferred channels: web site, e-mail and fax. The system is a secure, end-to-end solution that includes enrollment, data extraction, data reformatting, data re-routing and tracking, and tracking and delivery notification to output channels. And Pitney Bowes' Internet billing solution reduces the cost of distributing statements, accelerates delivery to real-time, expedites the receipt of payments, and tailors inserts to specific customer profiles.

Pitney Bowes:

ENGINEERING

the flow of

COMMUNICATION

Pitney Bowes is a world leader in integrated mail and document management, working with nearly all the FORTUNE 500 companies, developing processes and technologies for cost efficiency, security enhancement and improved customer communications.

By engineering the flow of communication, we provide solutions to two of the most important challenges facing management today: how to cut costs and boost productivity inside the organization, and how to grow revenue outside it. To these ends, we offer unique capabilities for engineering the processes, technologies and financing that help business-critical communication flow more efficiently within the organization — and work more effectively outside it.

Linking paper to digital formats, mail and transactional documents to customer response and relationships, our solutions continue to impact higher and higher value processes in the communication chain.

Helping companies simplify and manage their complex mail and document processes, Pitney Bowes reduces costs, increases impact and enhances customer relationships. More than 80 years of technology leadership has produced many major innovations in the mail and document industry, as well as more than 3,500 active patents with applications in a variety of markets, including financial services, government, manufacturing, printing and marketing.

Pitney Bowes

Engineering the flow of communication™

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