

Industry Insights

Optimizing the Performance of Transactional Documents

Transactional documents are the lifeblood of nearly every organization. No matter the market or the industry, transactional documents like invoices, statements, confirmations and checks drive the business functions that make any company run. Producing bills and statements can be an expensive, wasteful and time-consuming proposition, however. At the same time transactional documents often represent the only touchpoint a company really has with a customer. As a result, they have great scope and importance when you consider the critical role they play in company performance, the costs and constraints surrounding their production, and the vital contribution they can have in building stronger profitability.

Companies create millions of bills and statements every month and as a result the performance of these documents can have a significant bottom line influence. Paper, postage and processing are expensive, and the opportunity to build revenue, foster efficiency and bolster customer service is profound. Unfortunately, when it comes to the performance of transactional documents, many organizations overlook the constraints and opportunities in favor of the status quo; a “cost per click” perspective most often driving their assessments.

Optimizing the performance of transactional documents deserves and requires a more serious evaluation, but where do you begin? What would it take to implement beneficial improvements? How can statements and bills become more vital contributors to company performance?

This paper explores several of the key factors to consider, as well as a variety of techniques that can help you transform transactional documents from a cost center to a revenue center. Ultimately, more comprehensive document strategies are required in order to take full advantage, and in many cases the status quo may need to give way to new and more expansive methods and mindset. Regardless, this paper should help your efforts to build a higher level of strategic planning when it comes to optimizing the performance of your transactional documents.

Factors to Consider

Customers are tuning out marketing messages

Consumers are bombarded with thousands of marketing messages each day, but we're actively blocking out the great majority of them. The competition for consumer attention is intense. Over the course of a year we are exposed to over a million marketing messages from television, radio, the Internet, newspapers, magazines and direct mail.¹ In our media-saturated world only a select few successfully rise above the din of competitive messages.

Nowhere is the competition for customer attention as tight as in the mailbox. The Postal Service® estimates that U.S. households receive over 155 billion pieces of mail a year. Of the 26 mailpieces received by households each week only four are a transactional bill or statement—accounting for about 16 percent of the mail received by households.² The lion's share is “junk mail.” With all this clutter, it's no wonder that most people tend to open their mail over the wastebasket.

Customers still open and read statements and bills

While we tune out much of the mail we receive, monthly bills and statements rarely find their way into the trash. A recent study by the Postal Service shows that 98 percent of consumers pick up their mail the day it's delivered and spend 30 minutes reading their mail on any given occasion.³ Since bills and statements require an action—assessing an account or paying the amount due, for example—transactional documents get noticed.

Unlike the majority of messages competing for our attention, transactional documents hold our attention. At a time when consumers are actively filtering marketing messages and the media through “do not call” lists, pop-up blockers and spam filters, bills and statements gain notice and attention by virtue of an existing relationship. Consumers anticipate their monthly statements and bills. They trust the source and attend to the content. As a result, transactional documents provide a unique and often overlooked opportunity for organizations to communicate and connect with customers in new and more profitable ways.

Customers expect more

Customers expect more from transactional documents than we did just a few years ago. The era of staid and boring statements and bills has come to a close in a world of Wi-Fi, Web sites and hyperlinks. Customers want more choices and wider flexibility in terms of how we receive information and maintain our accounts, perhaps employing a mix of electronic delivery or payment options with plain old paper statements and handwritten checks. Either way, customers expect a flawless and consistent experience no matter how we interact with a company, whether on paper, online or in person.

Consumers Receive

- 3,000 marketing messages per day
- 5 -10 pieces of junk mail per day
- 100 messages in every magazine
- 40 messages in an hour of TV

—Seth Godin, “Permission Marketing”

Companies that think of transactional documents simply as a back office problem often overlook the front office implications that are inherent in the process.

Black and white may be one way to view the hard numbers of an account, but customers expect more than boring black and white statements every month. High resolution graphics and multi-media marketing is common today, and as a result customers have grown to expect a full-color experience. Companies that continue to send monochrome documents are perceived as having fallen behind the times. For consumers today, color is expected; a customary, rather than a customized, feature.

Research indicates a majority of customers prefer to receive “trans-promotional” messages via their bills and statements as opposed to other marketing channels like direct mail, e-mail and advertising.⁴ As a result, transactional documents represent a unique opportunity to expand and extend each monthly “appointment” to include a more deeply relevant and more satisfying customer experience. Companies can benefit by revising the notion that limits transactional documents solely as a vehicle to get paid or convey status and instead start to regard bills and statements as a vehicle to bolster revenue through a channel that customers have come to trust and expect.

Viewing transactional documents as a cost center

Despite these important conditions, however, most organizations continue to view document processing simply as a cost to be controlled and overlook the fact that the real costs—and opportunities—often lie elsewhere. Traditionally, transactional documents fall under the responsibility of an organization’s financial division or the IT department where the focus is on maintaining the lowest possible production cost. This approach falls short, however, as companies realize that statements are not a cost center; they represent a valuable customer marketing strategy.

As a result of maintaining a “cost per click” mindset, many companies simply do not have the systems and support structure in place to optimize the performance of transactional documents and take advantage of important process improvements available. Technological incompatibilities and diverse data stores often thwart application at a practical level while budget cuts and over-taxed IT staff severely limit strategic initiatives. Program coding constraints often take precedence over document optimization as changes to legacy applications are put at the bottom of the “to do” list.

Companies that think of transactional documents simply as a back office problem often overlook the front office implications that are inherent in the process. Postal regulations, for example, have become more complex and organizations that fail to stay ahead of the curve will feel the financial pinch. The cost of postage has risen 24 percent in just the past eight years and the upward trend shows no sign of slowing soon.⁵ The days of complacent mailroom operations have passed as organizations stand to lose millions in postal savings if they fail to comply with changing mailing standards.

Recent Postal Rate Hikes

	First Ounce	Each Additional Ounce
January 10, 1999	\$0.33	\$0.22
January 7, 2001	0.34	0.21
July 1, 2001	0.34	0.23
June 30, 2002	0.37	0.23
January 8, 2006	0.39	0.24
May 14, 2007	0.41	0.17

–United States Postal Service®

Technology is at a turning point

Document technology is at a turning point where many of the capabilities and benefits first celebrated in the industry a few years ago are now a practical business reality. Affordable color, personalized documents, intelligent mail tracking, online billing systems—these are just a few of the advancements that have brought companies into a new era of business communication; one as significant as the move from typewriters to personal computers or from fax machines to e-mail.

Studies have shown for years, for example, that adding color to documents results in significantly increased customer response. Now companies can afford to collect the benefits as the technology matures and price points drop to make color the “new black” from a cost perspective. CRM and database systems have matured as well, bringing the power of personalization to once isolated billing systems and basement print/mail centers. Security, compliance and customer service benefit from advanced mailpiece tracking that was simply not possible only a few years ago.

While the notion of “going paperless” may still be ahead of its time, electronic communications have now become a way of life for customers of all ages. The technologies behind electronic billing, online account access and encrypted e-mail statements have all matured and companies are now in a practical position to make electronic delivery a viable part of their transactional document mix. Companies that are successful in offering both paper and electronic options will gain the most benefit.

The process matters more

While advancements in document technology have brought about a range of new capabilities and a variety of more flexible systems, the key to gaining real benefit is found in the processes and strategies used behind the technology. A successful recipe for optimization is “two parts printing and eight parts process.” Innovations come from print and electronic integration, data and IT systems management, systems design, message and graphic design management, and postal expertise, but without a holistic process-oriented approach companies often miss the mark.

The paths between operations and marketing rarely cross. As a result, the biggest barrier to transactional document optimization is not the technology, but rather the different priorities and competing agendas found across an organization. For example, marketing departments look to build revenue and ensure that customer experience is high while print/mail operations concentrate on containing rising production costs and managing ever-tightening budgets. IT departments concentrate on the complexities of data processing while finance departments care about getting bills paid quickly.

By attending to the process overall, and not just the technology, companies can leverage the relationships between marketing, data and operations and turn transactional documents from a cost center to a revenue center. Optimization means more than just installing a new printer and or putting variable messages on the page. A change in organizational mindset is required; one that views bills and statements

Taking transactional documents from a cost center to a revenue center is contingent upon the ability to leverage the relationships between marketing, data and operations.

not simply as commodities, but instead as valuable customer communication touchpoints. Whereas disparate data systems and technological incompatibilities used to be the biggest barrier to optimizing the performance of transactional documents, companies now face the isolation between departments and perspectives as the real hurdle to overcome.

Five Techniques to Optimize the Performance of Transactional Documents

1. Digital color printing

Color is at the top of the list of important innovations in transactional documents. The price points and technology available today have brought companies to a point where it is no longer adequate to issue statements in plain black and white or via pre-printed forms. Companies that fail to address the appropriate use of color will fall behind their competition and risk building the impression with customers that they are behind the times.

Transactional documents are rarely designed with the customer experience in mind but affordable advances in digital color printing and more flexible graphic design systems have changed all that. Organizations now have the ability to build transactional documents on par with other marketing communications in terms of color, appearance and layout. Trans-promotional messages become more effective as well as color draws attention to the special offer or customized content.

The key to finding cost-effective benefit with color printing may be found by reevaluating what constitutes an appropriate level of color. With the possible exception of a color logo or pre-printed forms, companies generally hesitate to add color to transactional documents because of the additional expense involved. And the fact is that bills and statements rarely require full-color, offset quality printing. Today options for “appropriate” color have given rise to right-sized approaches including business color, highlight color, select area color, and even full color. These variables allow companies to manage their costs yet gain the benefits of choosing when, how much and where to place color in order to be the most effective.

Questions to consider:

- Does your company still issue transactional documents that look as if they were designed to be used with a typewriter?
- Do pre-printed forms and overlay printing provide the best impression of your company?
- How do your transactional documents compare to your other corporate marketing materials in terms of appearance and appeal?

2. Document Personalization

While color printing often gets the attention in industry press, document personalization has an even more profound ability to optimize the

performance of transactional documents. Color attracts customers to key messages and data, but in fact the relevance of the information provided is more compelling to readers and can ultimately be more profitable to companies with the ability to design “one-to-one” documents.

Studies indicate that a black and white document commands a relatively low response rate—about .046 percent. This is significantly under the accepted 1 percent response rate for generic bulk mail. Add color and customer response jumps by 45 percent. Add personalization along with color and the response rate raises approximately 500 percent.⁶ These findings suggest that document personalization—especially when combined with color—is profitable and will strengthen customer relationships.

Customer relationships flourish when companies build a foundation of trust and credibility with their clients. The more accurate, timely and relevant the information provided to customers is, the more trust and goodwill is built. The quickest way to lose this trust is to send inaccurate information, so it is important that proper accuracy control systems be put into place to ensure that the correctly personalized content is sent to the correct customer. The key to success is the ability to manage multiple input files and accurately prepare and present the content.

Personalized campaigns that coordinate your message across multiple customer touchpoints (e.g., bills and statement as well as your other communications channels) can help organizations understand where they can best direct their efforts and media dollars in order to maximize their return on investment—and their customer’s overall experience.

Because of the revenue benefits available there has been considerable discussion and excitement about “TransPromo” documents and customized marketing communications in recent years. But capitalizing on personalization requires a coordinated effort and the ability to leverage the value of information already collected about customer preferences, habits and interests.

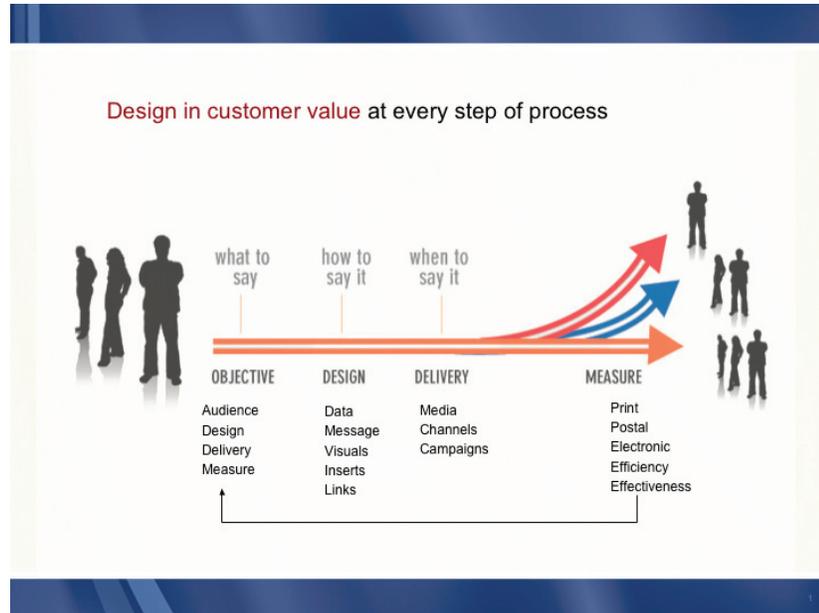
For many companies the information needed to build one-to-one statements and bills is already stored within the enterprise; the data is essentially “free.” However, the key to optimizing the performance of transactional documents through personalization is not found in the systems and technologies of data mining, but rather how thoughtfully customer data is used, the strategy behind the campaign, and how directly relevant and valuable the information is to the customer.

Questions to consider:

- How well do your documents utilize the information you have already collected about your customers, their accounts and their habits?
- Do customers feel that you “know” them and trust that you have their best interest at heart?
- In what ways can personalized bills and statements drive revenue by cross-selling or up-selling to existing customers?

Customer Response Rates

Black and white	.046%
Industry standard	1%
Adding name	+44%
Adding full color	+45%
Add name and full color	+135%
Adding database information	+500%



3. Mailpiece Tracking

Mailpiece tracking is another important technique that can greatly optimize the performance of transactional documents. With the ability to track for compliance, customer service and to optimize internal processes, bills and statements become much more powerful and beneficial documents.

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In recent years, mailpiece tracking has marched to the frontline of regulatory compliance. But the ability to verify that the correct information is sent to the correct recipient is often an elusive goal. However, advances in data integration, more flexible reader technology, and newly developed intelligent postal barcodes overcome the traditional barriers to mailpiece tracking.

While tracking outbound mail helps with security and compliance, monitoring inbound customer response can optimize a variety of internal processes. Tracking a returned invoice, for example, gives companies the ability to estimate when a payment will be received, and therefore plan financial float and tailor accounts receivable activities accordingly. By suppressing a dunning notice or delaying a collections call, organizations save money on paper and postage while preserving customer goodwill and eliminating undue workload in call centers. By tracking customer response, marketing departments can more effectively manage their campaigns and mitigate redundancy and errors that undermine customer satisfaction.

Mailpiece tracking information, especially when paired with online access to images of the documents themselves, can provide for dramatically less costly and more effective customer service. Call centers become more efficient because information is more easily available allowing first call resolution.

Beyond simply tracking an envelope on an inserter, the key to success with mailpiece tracking is the ability to establish the correct linkages and access to tracking information across the organization.

Rising postal rates have made optimizing the performance of transactional documents a vital necessity.

Questions to consider:

- Does a lack of auditable tracking data increase your exposure to legal and regulatory risk?
- Can you monitor when bills were sent and when payments were received?
- Do customer service and marketing departments have access to mailroom tracking in order to optimize their processes?

4. Postal Expertise

Rising postal rates have made optimizing the performance of transactional documents a vital necessity. For organizations that issue millions of mailpieces each month, the performance of bills and statements in the mailing process can have a significant financial impact. Maximizing postal discounts and ensuring cost-effective operations requires ever more specialized expertise and attention, however. For example, while rate increases get the bad press, companies can actually reduce their mailing costs if they clearly understand the new USPS® guidelines and tailor their internal production processes accordingly.

One way companies can take advantage of the new rate structure is to examine opportunities in two ounce mail. The cost to send an additional ounce of First Class™ mail actually decreased from 24 cents to 17 cents on an individual piece. And with letter automation discounts the rate declined even further to 12.5 cents. Factor in the one cent rate increase to 21 cents for standard class mail, and companies now find it to be less expensive to include trans-promotional offers and messages along with their transactional documents rather than a rely on separate mailing runs.

There have been significant changes in how parcels and flats are handled as well. By understanding the “shape based” implications of the rate structure companies can further optimize the performance of transactional documents and cut costs. The postage costs for parcels and flats rise significantly under of the new regulations. To mitigate the increased expense, organizations should consider moving parcels into flats or flats into 6x9 envelopes wherever possible.

Poor address quality is often overlooked and another valuable opportunity for optimization. The Postal Service reports that nearly 10 billion mailpieces do not make it to their destination due to some sort of error—misspelled street names or out-of-date addresses, for example—that results in returned mail.⁷ If a mailpiece cannot be delivered the additional expense to an organization includes a returned mail fee from the post office, plus the paper, postage and processing expense required to re-mail the corrected piece. The cost of poor address quality can be significant, but effectively cleansing and correcting the data requires constant dedication and consistently higher levels of expertise.

The key to optimizing postal discounts lies in the ability, the resources and the willingness to adjust the composition of existing mailpieces as needed—converting flats to letters, for example—to take advantage of the new rates.

Questions to consider:

- Would combining your marketing mailings with your bills and statements save money in postage expense?
- Do the new shape-based rate criteria offer opportunity to cut costs in the mail room?
- What is the cost of undeliverable mail to your organization?

5. Electronic Documents

As customers come to expect wider variety and greater options in how they receive information and access their accounts, companies find electronic delivery to be a viable part of optimizing the performance of their transactional documents.

One way to sidestep postal rate increases altogether is to deliver mail to customers electronically or present the documents online. While it is true that many customers still prefer to receive their bills and statements in the mail, that tendency is changing. And as customers come to expect wider variety and greater options in how they receive information and access their accounts, companies find electronic delivery to be a viable part of optimizing the performance of their transactional documents and keeping up with the competition. The key to success, however, is to not regard electronic delivery as an all-or-nothing proposition, but rather a gradual migration from paper to electronic delivery over time.

It can cost significantly less money to send a bill electronically than it does via the U.S. mail, but the inherent ease and convenience of an online environment can be even more profitable for companies who take advantage of electronic documents. A customer viewing an online statement, for example, is potentially only a click away from purchasing additional products or upgrading their service. By virtue of being “hyperlinked,” customers are arguably more likely to surf along with trans-promotional cross-selling and up-selling efforts. Paper documents simply lack the immediacy and connectivity of their electronic counterparts.

Electronic statements can carry with them an elevated level of sophistication as well, including images and messages that align marketing campaigns in both print and electronic channels. Companies find that this also encourages online adoption because customers tend to embrace systems that give them a high level of convenience, confidence and satisfaction.

The key to finding value and benefit with electronic document delivery is to build cohesive systems that leverage the legacy of paper documents and enable increased information portability and flexibility across multiple delivery channels.

Achieving Optimization

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documents, companies rarely take full advantage without a sound document strategy. Achieving meaningful optimization requires a coordinated effort that touches many different parts and processes within an organization. An enterprise strategy is essential in order to leverage data, technology and customer relationships in more efficient and profitable ways.

The success of any document strategy is dependent upon the ability to bring technologies and processes together in a way that is flexible, responsive and efficient. Delivering transactional documents across multiple media, bridging the gap between marketing and operations, and constructing a common and flexible platform (e.g., print, Web, e-mail, postal, CRM, call center, archive) are significant challenges that will require concerted effort and focused expertise. For companies that undertake the journey, however, the return on investment can be great. But these benefits will not be found by maintaining a “cost per click” mindset. A more holistic strategy is required to fully optimize the performance of transactional documents.

Questions to consider:

- How much revenue do your transactional documents generate? Could they do more?
- Do your statements provide the type of personalized information that will build customer loyalty and encourage additional revenue?
- Do you offer your customers options for how they want to receive their statements and pay their bills?
- Have you analyzed how changes in the design and production of your documents can save expense in postage and processing?
- Is your customer’s experience consistent across electronic and printed materials?
- Are your customer service people spending more time than they should answering questions and resolving complaints that arise from your transactional documents?
- Have you considered how the revenue from “TransPromo” documents might cover the costs of producing them?
- Do you have a strategy to adapt your transactional documents into marketing vehicles?
- Have you calculated how much you could save by merging transactional documents and marketing collateral?
- Do you coordinate and factor in statements as part of your advertising media strategy and direct marketing spend?
- Have you considered outsourcing transactional documents much like you do advertising and other high value activities?

Building Return on Investment

The techniques available to optimize the performance of your transactional documents explored in this paper—color printing, personalization, mailpiece tracking, and online billing—may be techniques your organization has considered in the past; but times have changed. As the potential for savings, efficiencies and increased revenue grows, reevaluating the available advantages and options becomes more vital to company performance. The business environment today is demanding that organizations be aggressive in cost containment and savvy with customer-facing documents of all types. Transactional documents represent a unique and often overlooked opportunity for organizations to connect with customers in new and more profitable ways while addressing the costs associated with their production and delivery.

The question therefore becomes: If you don't have the processes and technologies in place today to optimize the performance of your transactional documents, what would be the investment required in terms of time, resources and capital? With the diverse variety systems involved, should you build new capabilities internally or elect to outsource the activities altogether? With the degree of expertise and focus required to make truly meaningful improvements, what is the right plan for your organization? Turn to DST Output to help you clarify the right approach to meet current and future demands.

The combination of affordable color, document personalization, comprehensive mailpiece tracking, postal rate advantages, and the rising adoption of electronic document delivery make this an extremely attractive time to evaluate techniques and strategies to optimize the performance of your transactional documents. To learn more, call us at 1.800.441.7587, or visit our Web site at www.dstoutput.com.

What's the impact of optimizing performance?

Click on the link to the right to request a Benefit Impact calculator that can help you determine the value of optimizing your transactional communications.

Benefit Impact Calculator

Measure the benefit of statement-based marketing and customer satisfaction programs. Insert your data in the blue box and determine the net gain.

Value of Adding Personalization and Color

Response Rate*	Static Promotion		Name-only Personalization		Dynamic Personalization Using Database Information		Dynamic Personalization Using Database Information with Personalized Offers	
	Black & White	Black & White in Full Color	Black & White	Black & White in Full Color	Black & White	Black & White in Full Color	Black & White	Black & White in Full Color
Response Rate	0.8%	0.8%	0.8%	0.8%	1.0%	1.0%	1.0%	1.0%
Annual Net Revenue Gain	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,200,000	\$ 1,200,000	\$ 1,400,000	\$ 1,400,000

Monthly Statements: \$ 1,000,000
 Direct Mail: \$ 1,000,000
 Administrative Revenue per Order: \$ 1,000,000

Upsell / Cross-sell to grow revenue

Monthly Statements	\$ 1,000,000	Response Rate	2.0%
Average Revenue per Statement	\$ 10,000,000	Direct Mail	\$ 1,000,000
Monthly Revenue Gain	\$ 20,000,000	% Annual Operating Increase	2.0%
Annual Net Profit Gain	\$ 20,000,000	Annual Incremental Revenue	\$ 2,000,000
		Additional Annual Per-Statement	\$ 2,000,000
		Additional Cost Per Statement	\$ 2,000,000

Increase Loyalty

Monthly Statements	\$ 1,000,000	% Reduction in Lost Customers	1%
Cost of Losing a Customer	\$ 1,000,000	Annual Incremental Savings	\$ 1,000,000
Percentage of Lost Customers	1%	Additional Cost Per Statement	\$ 2,000,000
Monthly Cost of Lost Customers	\$ 10,000,000	Annual Net Savings	\$ 1,000,000

Reduce Direct Mail / Insert pieces - with inline marketing piece

Current Direct Mail / Campaign Print and Mail Costs	\$ 1,000,000	Assesses marketing campaign for all
Direct Mail Piece cost - gsm	\$ 1,000,000	Assesses one source
Direct Mail Piece cost - Package	\$ 1,000,000	Assesses one source
Total Direct Mail Cost	\$ 1,000,000	
Direct Mail piece added to transactional statement	\$ 0.000	
Per-Statement Cost for marketing piece	\$ 0.000	
Package only for an additional source	\$ 0.000	
Total Campaign Cost	\$ 1,000,000	
Annual Net Savings	\$ 1,000,000	
Annual Net Gain, no additional postage required	\$ 1,000,000	

Notes

1. Seth Godin, *Permission Marketing*. Simon & Schuster.
2. *Household Diary Study*. USPS, 2006
3. *The Mail Moment*. USPS, 2005
4. "The Future of Mail." InfoTrends.
5. United States Postal Service.
6. "Direct Mail Response Based on Color, Personalization, Database, and Other Factors." David Broudy and Frank Romano Digital Printing Council.
7. United States Postal Service.