

BEST PRACTICES FOR DELIVERING SUPERIOR CUSTOMER EXPERIENCE

A Dynamic Platform for Multichannel Communications

Abstract

Most successful organizations realize that improving customer communications can dramatically boost customer loyalty, help ensure brand and regulatory compliance, and rein in a range of rising costs from postage to IT maintenance. Unfortunately, the customer communications management (CCM) efforts of most organizations are seriously handicapped—by piecemeal, incomplete, outdated, and redundant CCM technologies in the service of multiple in-house solutions and business processes. This white paper explores the benefits of implementing a CCM platform, on-premise or in hybrid cloud environments, identifies the necessary capabilities of such a platform, and supplies organizations with a frame of reference when considering CCM platform options.

October 2011

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Part Number h5080.1

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Executive summary

The customer communications systems in most organizations have evolved in a largely haphazard manner, usually driven by the needs of application silos. The unfortunate outcome has been the deployment of numerous incompatible and expensive systems. For many large organizations, this situation has been exacerbated by a wave of mergers and acquisitions. As a result, the total cost of ownership (TCO) for such systems has been maximized. Even worse, these disparate and costly systems are failing to meet the needs of organizations and the customers they serve.

Major shifts in customer demographics, including an increase in those who rapidly adopt web technologies, are further complicating the situation. Growing customer expectations for richer presentation, interactive engagement, and mobility are stressing existing systems, which are often unable to deliver communications optimized for electronic channels. For example, organizations may simply convert print-oriented communications for web distribution and not leverage richer content and interactive capabilities. While perhaps acceptable for “web immigrants” who have long experienced traditional print channels, this approach will be unacceptable for “web natives” who are rapidly becoming the majority.

A challenging economic climate, with increasing regulations, is forcing organizations to rethink their approach to communicating with customers. There is an increasing realization that the adoption of a comprehensive platform for customer communications management (CCM), both on-premise and in a hybrid cloud environment, can provide not only significant cost reduction benefits but also substantial improvements in customer loyalty, time-to-market, and competitive differentiation, all of which drive bottom-line profitability.

Introduction

This white paper begins with an overview of customer communications, and then discusses the impact poor customer communications can have on a business. The next section describes how the right customer communications management (CCM) platform can improve the customer experience, lower costs, and promote brand and regulatory compliance. Essential CCM platform capabilities are included, and a section on best practices provides considerations when approaching CCM.

Audience

This white paper is intended for business executives and CIOs who are responsible for improving the quality and efficiency of customer communications.

Overview

Virtually all organizations engage in proactive and reactive customer communications. Generally, the larger and more complex the organization is, the greater the communications volume, diversity, and necessity—and, depending on how well the customer communications are planned and executed, the greater the rewards or unwanted consequences.

Unfortunately, most organizations rely on systems and processes that have sprung up or have been acquired incrementally throughout the years. Relying on such a patchwork of systems for a mission-critical communications function deprives organizations and their customers of a range of significant benefits.

Forrester Research has developed a comprehensive model for enterprise customer communications that segments use cases into three major categories of output: structured high-volume batch, on-demand, and interactive. Structured high-volume batch output includes scheduled high-volume applications, such as financial statements and billing. On-demand output includes dynamically generated, event driven application such as quotes and proposals, as well as online offers and promotions. Interactive output requires human intervention and is oriented toward dynamically generated communications within a business process workflow, such as negotiated contracts or claims and lending correspondence.

Each of these use-case categories represents a different set of technology and performance challenges within the scalability, responsiveness, and integration dimensions. Existing systems—accumulated over the past few decades and largely based on outdated non-service-oriented architectures—are rarely able to cope with this increased breadth of technology requirements. Attempts to address these challenges via ongoing system extensions and investments are unlikely to meet future, or perhaps even immediate, needs.

Impact of poor customer communications

The state of customer communications systems typically found in many businesses today includes some or all of the following characteristics:

- **Piecemeal**—Use of many different technologies and solutions to address every individual customer communications use case—acquisition versus up-sell, marketing versus reporting, batch versus on-demand, print versus web, etc. This approach creates unnecessary technical complexity and results in a high TCO.
- **Incomplete**—Reliance on one or more solutions to address one or more, but not all, use cases. Such reliance may create unnecessary complexity and a high TCO. In addition, it may leave customers underserved and critical business opportunities unrealized.
- **Redundant**—Addressing the same communications use cases with multiple solutions. Again, the result is unnecessary complexity and a high TCO, but with

even less to show for it. This outcome becomes more common as organizations grow, particularly as a result of mergers and acquisitions.

- **Outdated**—Saddles organizations with poor computing performance, limited design capabilities, a difficulty or inability to integrate with other enterprise systems (see below), an inability to effectively scale and perform at high volumes, etc.
- **Disparate**—Not tapping into a central repository of approved content and/or existing enterprise applications—such as enterprise content management (ECM), customer relationship management (CRM), enterprise resource planning (ERP), and others—creates numerous impediments. These include an inability to produce interactive or on-demand communications (which require realtime data access); manage, approve, and repurpose existing communications; maintain enterprise-wide brand consistency; ensure regulatory compliance; and more.

The fallout from each scenario manifests in three key ways: Diminished customer experience, higher operating costs, and brand and regulatory noncompliance.

Diminished customer experience

Customers and even prospects increasingly expect communications to be highly relevant and personalized to them, as well as delivered in the manner and via the channel they prefer. An organization that communicates poorly has reduced its chances to acquire a new customer—and will experience low response rates—or to retain and up-sell an existing one. Such communications practices can actively harm the customer relationship and weaken or perhaps even sever the bonds of customer loyalty that are core to business success.

Higher operating costs

When the majority of an organization's customer communications are paper-based, the costs of postage and manual handling processes are maximized and usually quite significant—as are the IT resources required to integrate and maintain the various traditional printing, finishing, and mail handling systems. As illustrated in the case study on page 11, such costs can run into several millions of dollars and tap already overburdened resources. Moreover, the reliance on postal delivery for vital business communications can prove detrimental over time due to rising transportation costs and diminishing service levels.

Brand and regulatory noncompliance

Inconsistent, inaccurate, and ad hoc messaging practically ensures brand dilution and, potentially even more damaging, can expose the organization to financial or litigation risk—such as communicating the wrong offer, wrong contractual language, or wrong information to a valued customer.

The CCM platform: Enhance loyalty, cut costs, promote compliance

Only with a customer communications management (CCM) platform can organizations generate content discretely, in various business units, as well as pull it from enterprise systems, then uniformly leverage it in a virtually unlimited variety of forms and across all customer touch points to achieve “intimacy at scale.” The right CCM platform enables organizations to improve the customer experience, lower costs, and promote consistent brand and regulatory compliance.

What makes this possible? Dynamic content publishing, which features the creation, assembly, and multichannel delivery—in batch, on-demand, and interactive modes—of highly personalized and customized communications. Some of the benefits are detailed below.

Reduced technical complexity and lower TCO

A single CCM platform can be used for batch, on-demand, and interactive communications. Replacing multiple systems with one platform means there is less for IT to support and maintain, especially in an off-premise or hybrid cloud environment. A CCM platform frees business users from programming and scripting; instead, it enables the formation of a dedicated service group that works directly with guidance from the various business units to develop multichannel customer communications templates that define approved layouts and content assembly rules.

Organizations can generate high-volume batch communications for both paper and e-mail with queuing that prioritizes processing and distribution. Realtime e-mails, such as confirmations or follow-up service-related correspondences, can be created and delivered nearly instantaneously. Finally, interactive capabilities allow customer service representatives to tailor communications as needed, subject to management approval workflows.

Combine print and electronic delivery

One of the surest, quickest ways to ensure consistency (messaging, look and feel, etc.) across communications as well as cut costs is to use a single system to generate and distribute print and electronic communications.

Print communications will not go away any time soon, if ever. Some customers will probably always prefer to hold a hard copy in their hands and, for a variety of reasons, some communications are most effective when printed. But nontraditional channels offer many benefits print cannot match.

First is the ability to satisfy diverse customer preference—an increasing number of tech-savvy customers prefer to receive all communications electronically. Some communication types are not realistic in paper format, such as realtime alerts or reminders, and e-mail links can automatically drive customers to website landing pages, which can reduce customer service costs and present additional communications opportunities. However, perhaps the simplest, strongest benefit is

substantially lower costs. Less shipping and handling of paper-based communications creates a significant and fast ROI.

Better presentation quality

The right CCM platform enables the design and deployment of far more engaging paper documents, as well as visually rich e-mail and web landing pages that include more graphics and dynamic content (such as targeted marketing messages). The platform can also ensure a common look and feel across different types of customer communications—particularly those originating from different business units.

Greater customer intimacy

The more refined the customer data is, the greater the potential for personalization. Organizations that move from one-way/print-based push communications models to more interactive/web-based communications also gain the ability to capture and listen to customer feedback, which drives more meaningful customer relationships. Customers can provide valuable data whenever they make on-screen choices. And companies can use that feedback to continually tailor and optimize the customer experience.

Essential CCM platform capabilities

Organizations may wish to generate a range of documents including:

- Contracts and highly regulated textual documents
- Insurance policies, ID cards, forms, and certificates
- Complex negotiated financial agreements
- Statements, financial reports, and consolidated investment reports
- Trade confirmations and other trading correspondence
- Personalized printed and rich HTML e-mail correspondence
- Invoices, bills, and notices
- Welcome kits and explanation of benefits
- 1:1 personalized marketing collateral and newsletters
- Personalized, customized catalogs
- Personalized landing pages for secure communications on the web

Generating these communications requires a comprehensive CCM platform. In brief, a CCM platform automatically pulls data, graphics, and text from multiple sources into customizable design templates that then present the assembled content in a consistent, compliant, and visually compelling manner. Built on a service-oriented architecture (SOA) with XML data integration capabilities, the CCM platform can simultaneously support electronic and print formats. It assembles content according to rules that specify the selection of the right content version and enables its

personalization based on customer data and business logic. It formats the resultant personalized communications for distribution via one or more output channels, depending on customer preference and channel effectiveness for each communication type. Channel formats include those for web and e-mail, such as HTML and Adobe PDF, and high-volume print formats, including PostScript and AFP.

Consider the following capabilities when evaluating a CCM platform:

- **Template-based correspondence creation**—Start with the ability to develop dynamic document templates. These contain customization rules and personalization variables, which can be merged with data from a variety of sources, in batch mode or in real time, to produce a wide range of personalized customer communications in various formats for distribution via a customer's preferred channel.
- **ECM repository**—Leverage a single repository of approved content for all customer communications.
- **Modern architecture**—An SOA with Web services, XML, and AJAX offers e-delivery, interactive web-based solutions, and extensibility. This enables an organization to build business applications by extending and customizing an out-of-the-box solution, speeding time to market and cutting implementation costs.
- **Comprehensive document generation**—Make sure the server and toolset can produce the entire range of highly personalized and customized customer-facing documents your organization needs using variable data and rules for multichannel distribution. This enables users to standardize on a single platform, eliminating the need for multiple document generation products and reducing application maintenance costs and total cost of ownership.
- **Ease of use**—Ideally, an organization wants its document designers and content authors to use familiar industry-standard tools—such as Microsoft Word, Adobe InDesign, and Adobe Dreamweaver—to create all dynamic document applications. Leveraging an existing, rich feature set familiar to most knowledge workers means there is no need to learn a proprietary interface, thereby eliminating design translation fidelity problems and costs.
- **Enterprise scalability**—A Java EE server architecture that runs natively within application servers offers automatic scalability, failover, and load balancing to support enterprise-wide adoption for thousands of concurrent users. Additional business units can reuse component services with minimal customization. This technology can be rapidly deployed into existing environments, leveraging previous investments.
- **High performance**—The server may need to create literally millions of highly personalized pages per hour in batch and on-demand mode. Superior performance provides large enterprises with the horsepower they need for their document infrastructure.

- **Tight enterprise integration**—Open standards means a system that easily integrates with both structured and unstructured enterprise data and content sources. The result is a scalable infrastructure that can meet the future needs of the growing business.
- **Moving to the Cloud**—Deployment options may include a wide variety of on-site, virtualized server, and distributed infrastructures – including completely managed delivery from the cloud. Such options will allow organizations to realize the value of new CCM infrastructures as quickly as possible.

Best practice considerations: A modern frame of reference

When considering the best approach to CCM, organizations must decide how to manage the customer lifecycle so that both sides of the relationship can grow profitably. By continuously enhancing the customer experience, organizations drive customer loyalty. Loyal customers are less likely to defect (reducing the pressure to acquire new ones at greater cost) and more likely to be receptive to up-selling and cross-marketing offers, resulting in greater “wallet share” per customer. With that in mind, consider the following CCM best practices.

Rebalance acquisition- and loyalty-centric communications

Organizations thrive when they retain the right customers, and customer communications plays a major role in achieving that goal. Put another way: Profitable revenues are tied directly to the quality of a company’s customer communications across the entire customer lifecycle, from acquisition through retention.

Customer acquisition costs run five to 10 times higher than those of keeping existing ones—such costs include advertising and price discounting to attract new customers and subsequent onboarding—and the costs to recapture lost customers is often higher. It can take an organization quite some time to break even (assuming the customer stays with you), so it is critical to retain customers well beyond the break-even period. Otherwise an organization’s acquisition process can actually drive up losses.

Yet in their communications, organizations have traditionally emphasized customer acquisition over retention. For example, they may concentrate a lot of resources on costly advertising or mass mailings of slick collateral. But once they convert a prospect into a customer, the customer communication quality and personalization often drop. Just the opposite should happen.

Of course most organizations need to produce both acquisition-centric and loyalty-centric communications. Even a company with a huge installed base is interested in gaining market share. But once it acquires the right customers, an organization will be best served by better serving the customers it already has. Loyalty-centric communications make customers less likely to respond to competitive overtures and more likely to respond to their existing product and service provider, which can significantly increase profitable revenue.

Decompose the customer lifecycle

Because each company in every industry will have a unique set of customer communication materials, organizations must evaluate their current mix to rebalance communications across the entire customer lifecycle. Which components are weak, adequate, strong? What's missing?

Customer lifecycle communications range from presales (generate interest, inform, and persuade) to contractual or onboarding (formalize the relationship) to reporting (billing, statements, etc.) to ongoing correspondence of various types, including renewal and termination materials. Once an organization has decomposed its unique customer lifecycle into the relevant customer communications for each phase, it should be possible to blend various components for optimal cross-selling or relationship-building purposes. For example, a periodic bill can include new service announcements and/or well-targeted offers.

Go easy on the prospects

Marketing campaigns have often been conducted in a warfare-like fashion, with prospects targeted and then bombarded with various solicitations, resulting in the growth of junk mail and e-mail spam. Unfortunately, a 1 or 2 percent “hit” or “capture” rate also means a 98 or 99 percent “turnoff” rate. The vast majority of people contacted not only do not become new customers, they may come away with a negative impression of the organization's brand (so-called “collateral damage”).

The antidote is to provide relevant information to each prospect with fewer but more sophisticated offers—the kind of information organizations get from assessing their own industry's best practices and canvassing their own customers for approaches that work.

Case study: Diversified Fortune 100 financial services firm

This financial services firm, one of the world's largest with operations in more than 100 countries, was using several in-house systems to generate up to 40,000 letters per month based on about 5,000 letter templates. The systems ate up computing and IT resources and limited the company to generating simple, graphics-free correspondence, which could be delivered in batch mode only.

After implementing a comprehensive CCM platform solution, the firm reduced per-correspondence cost by more than 95 percent—saving more than \$20 million annually—and increased monthly volume from 40,000 pieces to 11 million. Retiring just one redundant correspondence system saved \$16 million the first year and the company estimates it has saved another \$15 million by avoiding re-engineering costs that would have gone toward developing or sourcing other technologies.

Conclusion

A brief look ahead

As traditional print communications continue to cede prominence to web-based, interactive experiences, the better CCM solutions will have a strong infrastructure in place for moving communications through those channels. Soon, for example, a complete CCM platform will have to include digital asset management so streaming video can achieve greater prevalence in standard business and customer communications. (Move over, YouTube.) And as companies increasingly apply social networking (or Web 2.0) technologies to enhance internal collaboration, customer communications will continue to evolve alongside.

Take the next step

To learn more about EMC Document Sciences customer communications platform solution, visit www.EMC.com or call **1.800.607.9546** (outside the U.S.: +1.925.600.5802).