The TransPromo Revolution: The Time is Now!

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Abstract

TransPromo, or the blending of promotional messages into transactional documents, is a technology whose time has come. As marketers strive to break through the clutter of marketing messages, they are increasingly leveraging statements and other transactional documents as a marketing platform and an integral part of the overall customer experience. This white paper provides a definition and overview of the TransPromo market and includes detailed implementation examples, including qualitative and quantitative results that TransPromo applications are delivering across a wide range of industries. It also discusses critical success factors for market entry and provides insight into how HP technology is beneficial in the deployment of TransPromo communications initiatives.

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Introduction

Consumers today are bombarded with thousands of promotional messages on a daily basis, from television or radio ads and out-of-home advertising to e-mails and Web ads. Marketers face the challenge of getting their messages out in a way that breaks through this clutter and encourages desired behaviors in recipients. Those desired behaviors can range from simply recognizing the brand to changing investment strategies or purchasing the latest product or service the marketer represents. Increasingly, marketers are using the tried and true monthly communications medium—the statement—as well as other transactional documents in new and different ways to ensure that their messages are noticed. This means of communications is called transpromotional communications, or TransPromo, and is creating a significant buzz.

TransPromo provides an opportunity to blend marketing messages with those must-read transaction statements, invoices, confirmations, benefits explanations, and other notifications to influence behavior and ultimately drive business volume.

This white paper will define TransPromo and the market opportunity it represents for marketers and print service providers, discuss the rationale for its use, touch on challenges and considerations in the implementation process, and provide some thought-provoking recommendations and conclusions for marketers and print service providers who are considering leveraging this important mechanism.

Methodology

In preparation for the production of this white paper, InfoTrends conducted interviews with a number of print service providers and marketing executives who have added or are planning to add TransPromo to their marketing mix. InfoTrends also conducted desk research to glean information from a number of sources and reviewed relevant InfoTrends research, including *The Future of Mail 2006: Direct Mail, Transaction, and "Transpromotional" Documents,* which examines the future of direct mail and transaction documents in North America and the adoption of "transpromotional" strategies.

TransPromo: Defining the Market

By definition, transaction documents communicate information about a recipient's transactions with a supplier. This might include checking account statements, business invoices, credit card bills, 401K statements, explanations of healthcare benefits (EOBs), and even reminders for a doctor or veterinary appointment. **Transaction documents** reflect a relationship where the customer has "opted in" based on doing business with a firm or organization. One advantage of transaction documents is that 95% of them are actually opened and read.

Promotional documents have a call to action, typically with a sales-oriented message. The recipient may or may not open the piece based on a combination of the offer strategy, recognition (or lack thereof) of the sender, and the quality of the creative approach. Sometimes they are not opened simply because the recipient is too busy, and they are either thrown away or put aside for later perusal—or, in the case of e-mails, simply deleted.

Increasingly, both transactional and promotional documents are delivered in electronic form, either in addition to a paper document or in lieu of paper.

The TransPromo Revolution

Over the past 18 months, a combination of new technologies, postal changes, and market conditions have created an environment where transaction documents like statements, invoices, and notifications can be used effectively to generate sales and long-term relationships. Now, companies are starting to use these communications to create ongoing, sustainable customer dialogues that promote products and services in addition to communicating transactional information. This transition is being coined the "**TransPromo revolution**" and results in more attractive, easier-to-understand statements that also encourage buying and other desired behaviors.

Figure 1: The Power of TransPromo Statements

Simply stated, TransPromo means positioning a promotional message alongside essential transactional information within a transaction document. While it is true that businesses have been using statement inserts for promotional purposes for over 60 years in an approach that could be described as transpromotional, the benefit of those inserts has declined as their novelty has worn off. In fact, many recipients of traditional transaction documents simply open that mail over the wastebasket and dispose of inserts without looking at them. So while the concept of including marketing information with statements is certainly not new, marketers can now provide those marketing messages in a new and different way, in a manner that has been proven to attract maximum attention and drive higher levels of action. These marketing messages can be just as personal and relevant as the transaction documents that contain them. As messages become more relevant, the likelihood that the recipient will demonstrate the desired behaviors increases. As a result, statements have become increasingly strategic and are now often viewed as a revenue-generating device rather than an operational document representing an accepted cost of doing business.

"Our customers are attracted to testing TransPromo as part of their communications mix," said Lynne Andrews, Variable Color Manager for RR Donnelley's Business Communication Services offering. "TransPromo complements insert programs exceptionally well, broadening the choice of offers that can be made and helping to keep envelope weights under the next postal increment."

TransPromo: A Growth Market

Overall, the use of digital color to produce transaction documents is on the rise. In InfoTrends' research conducted in 2002,[1] 39.1% of document owner respondents used digital color in the production of transaction documents, with that number climbing to 45.8% in our 2006 research[2]. It was estimated that 10.6% of total transaction document volume was printed in full digital color in 2002. Our 2006 study found this percentage had grown to 22.9% in 2005 and was expected to reach 33% by 2010. As the use of full color continues to grow, leading marketers are looking for more ways to leverage their investments to make statements and other transactional documents more effective by providing an integrated customer experience and by leveraging these transaction documents as a marketing platform.

As a result, the TransPromo market is poised to explode. InfoTrends' research indicates that the TransPromo full color digital output for North America was 1.62 billion equivalent images in 2006; we forecast this to increase at a CAGR (compound annual growth rate) of 91% to 21.72 billion images by 2010. Adoption rates are even higher in other parts of the world, as evidenced by case studies included in this white paper from Chile, the U.K., and Israel. This growth will be driven by advances in digital printing equipment in terms of speed, cost, quality, and continued market adoption as organizations seek to exploit technology to drive loyalty, brand recognition, and profits.

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[1] InfoTrends' *The Future of Direct Mail, Transaction, and "Transpromotional" Documents*, May 2003

[2] InfoTrends' *The Future of Direct Mail, Transaction, and "Transpromotional" Documents*, December 2006

At the same time, there is much work to be done in educating marketing professionals about the value of TransPromo. According to Donovan Neale May, Executive Director of the CMO Council,[3] "TransPromo is an untapped area that many CMOs have not yet begun to explore. Suppliers to the market need to shine a bright light on the upside potential in terms of ROI that TransPromo offers. It is a very cost-effective way to generate incremental revenue from a captive audience."

Figure 2: The Impact of Color
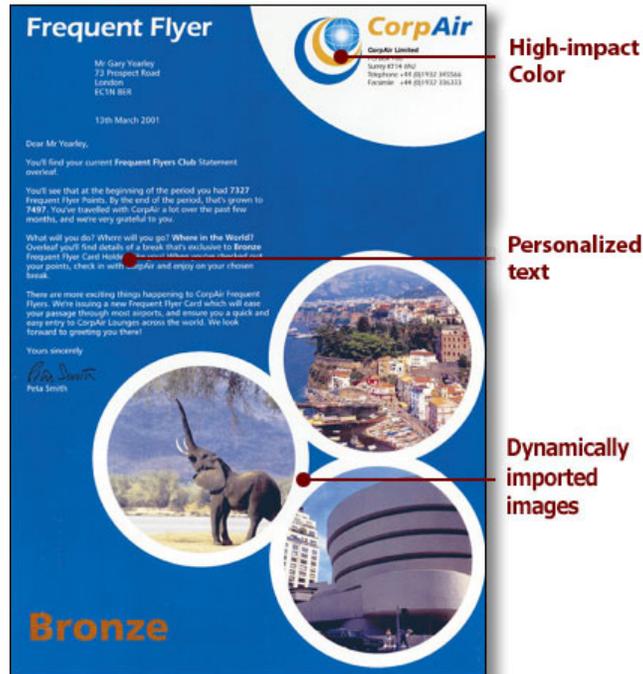
Source: PrintSoft

Key TransPromo Drivers

There are four key drivers that make TransPromo an idea whose time has come:

- The need for better ways to reach customers
- Advances in technology
- Changing postal regulations
- Market conditions that are transforming transaction documents into marketing vehicles

Reaching Customers

While the statistics are all over the map, one thing is clear—today's consumers are drowning in a sea of unrelated marketing campaigns. Corporate marketers are seeking ways to invest in communications that cut through the clutter of the thousands of marketing messages consumers are exposed to every day. With most companies placing an increasing emphasis on marketing ROI, marketers must seek ways to

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[3] www.CMOCouncil.org

communicate with customers in a manner that is likely to carry some level of certainty that the message actually reaches the recipient. Unfortunately, many conventional methods of communication can make it difficult to determine which messages actually get through. To further complicate the situation, consumers are becoming much more savvy about filtering out unwanted information.

The one document that does get opened and read is a statement or notification. Since 95% of transaction documents are opened and read, they provide an excellent vehicle for reaching customers with other types of messages and information. Studies have shown that on average, a consumer will spend one to three minutes reviewing a bill—that is how much time the marketer has to capture a recipient's attention when using the transactional document as a marketing vehicle. There is no question that TransPromo implementation carries an incremental cost, but many marketers are finding that their return on investment for TransPromo communications more than offsets this cost.

Consulting firm Art Plus Technology (APT), a long-time provider of document and information design services to the financial, insurance, and healthcare industries, reports that a project with a major financial services company promoting increased 401K participation by including promotional messages on participant statements increased participation by 10.5%—a result that is almost unheard of. Meanwhile, consulting firm Prinova created SmartSummary, a TransPromo application for health benefits company Humana, which resulted in a 42% shift from brand to generic drugs (typical is 10%). This represented a significant cost savings for both the member and Humana. Chile's Jordan S.A. is already beginning to deliver these types of results its customers, even in the early stages of its TransPromo implementation. The company has initiated test programs with one of the largest banks in Chile for its private banking business, as well as one of the largest supermarkets in Chile for its loyalty program. "With the supermarket," says Jordan's Juan Pisano, "we are testing TransPromo with 25,000 of their one million plus customers. Early results indicate an increase in response rate from 0.4% with the previous process to 5.5% using full-color TransPromo, an outstanding achievement."

Figure 3: APT Retirement Example
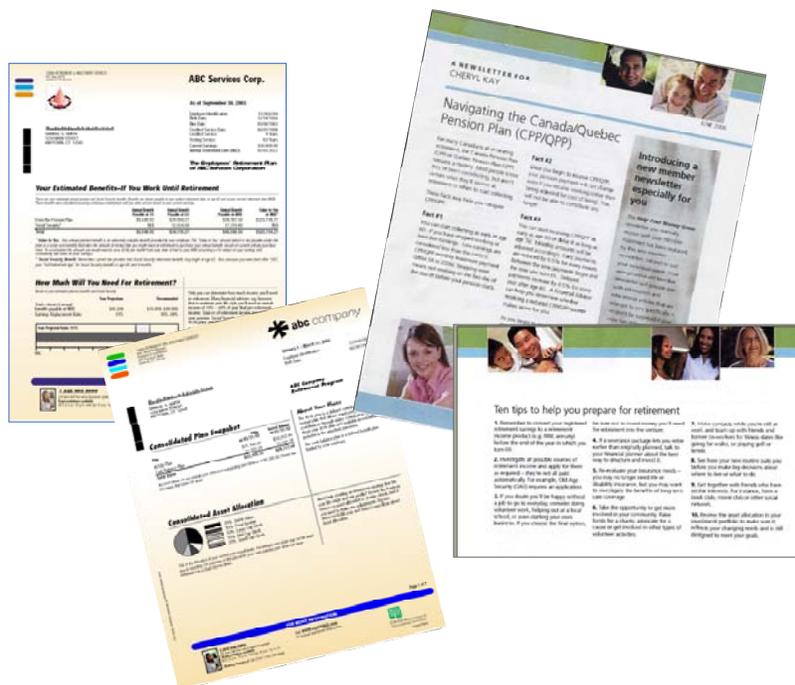
Given that most consumers prefer to receive information in the mail, the TransPromo opportunity becomes even more attractive. InfoTrends' 2006 *Future of Mail* study determined that the most important aspect of successful communications programs is understanding what consumers want. Consumers continue to have a high preference for direct mail, largely attributed to the fact that paper-based communications are minimally intrusive and easily managed.

Figure 4: How would you prefer that companies contact you for marketing and promotional purposes?
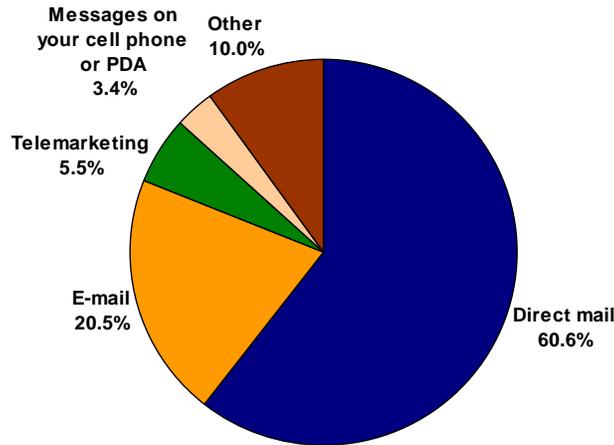
In this study, the majority of consumers (56%) also expressed a preference for highly personalized direct mail with messages and offers that were designed to reflect their needs and interests. In return for the business they give a company, consumers expect a level of intimacy similar to that which was enjoyed in the "good old days" when business was more personal. TransPromo communications offer an opportunity to utilize technology to generate information that is of genuine interest to the recipient and creates a sense of intimacy that is missing in so many business relationships today. Yet in rating the direct mail they currently receive, respondents to InfoTrends' study indicated that only 31% was personalized and useful.

Figure 5: Excluding bills and statements, approximately what percentage of the items you receive in the mail can be described as follows?

In parallel, these same survey respondents were asked to evaluate two different statements. One was a traditional statement like those that arrive at their doorsteps and include advertising inserts, and the other was a document with graphics and offers relevant to their account information printed on the face of the statement—in other words, TransPromo documents with "onserts." Not surprisingly, statements with personalized onserts were preferred by nearly two-thirds of respondents.

Figure 6: Would you prefer a traditional statement with advertising inserts or a personalized statement with graphics that contains relevant offers in the same document?

Traditional Statement 36.9%

Personalized Statement 63.1%
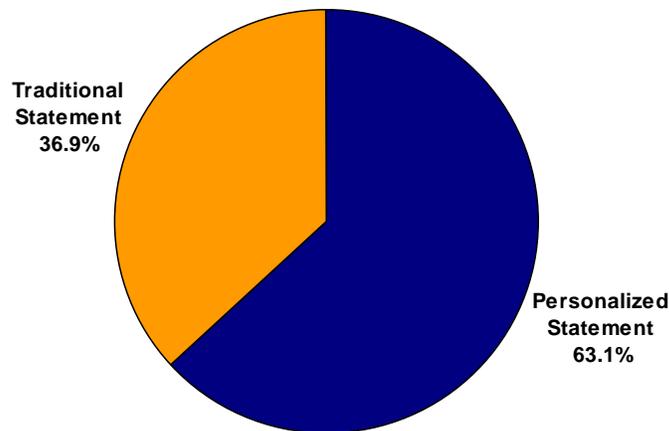
Advances in Technology

The technologies available in the marketplace today to facilitate TransPromo communications run the gamut from digital color toner and inkjet presses to software, content management, and workflow solutions. The technology advances they represent open the door for organizations to better leverage the data contained within the transaction document to personalize customer communications with marketing messages.

Digital color presses are clearly a key enabling force driving the transpromotional market. As the price/performance ratio and quality of these presses has improved, organizations can more easily and affordably colorize critical transaction information contained in these documents as well as add promotional messages—including text, graphics, and coupons—to capture a customer's attention. Study after study has proven that information printed in color is far more likely to be read and retained than information printed in black & white. As advances in technology have enabled the cost-effective production of images with offset quality color, issuers can elevate the value of TransPromo documents by including more appealing images that are designed to promote higher value products. This means that statements can now include effective promotions for even cars or fine jewelry.

There are a number of new digital color print engines as well as enhancements to existing printers that are making it easy for organizations to colorize documents. Well-known vendors like HP are delivering affordable, high-quality solutions to the market that are ideal for TransPromo production. For example,

the HP Indigo w3250 and the newly-introduced HP Indigo w7200 roll-fed presses have duty cycles (24x7) in excess of four million and seven million impressions per month, respectively, delivering offset color quality and a very competitive cost per copy, making high quality full-color TransPromo printing affordable and equipping production facilities to generate the high volumes that these applications often demand. In addition, HP will be bringing an inkjet offering to market in 2009 called the Inkjet Web Press. This press is a thermal inkjet printer capable of speeds of 400 linear feet per minute on webs as wide as 30 inches (29-inch print width). Print service providers and their corporate in-plant printing colleagues are investing in these technologies to better serve the needs of their marketing client base.

One past barrier to the growth of full color for transactional documents was the incremental cost per page represented by full color. Nevertheless, operating costs for these presses have since dropped significantly of late and can now be as low as 3 to 10 cents per page.

In an analysis of the cost (not price) to produce a TransPromo document, InfoTrends found that for a 4-page document with pages 1 and 3 printing in full color and pages 2 and 4 printing in monochrome, the net total cost difference per document was only $.0654 over using pre-printed color forms with black print. The pertinent question is, are your customers worth an additional investment of $.0654 per document? For many organizations, the answer is yes. Other organizations find that many new income sources offset this expense.

Recent survey statistics found that about 46% of businesses use some digital color for their transaction printing, up from 39% in a 2002 survey.

Figure 7: Do you use any digital color for your transaction printing?
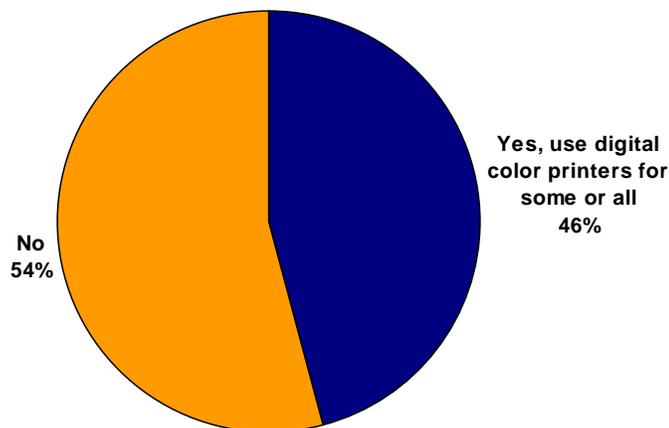
Nevertheless, studies show—and our interviews reflected—that the effective use of color and personalization outsells traditional black & white messaging by as much as 80%, and color production costs continue to fall. InfoTrends' 2006 *Future of Mail* study reflected that the difference in cost between a 4-page full-color document and a 4-page black & white document was as low as 65 cents. These types of statistics prompted Cal, an Israeli credit card issuer with brands including VISA and Diners' Club, to convert all 4.5 million monthly statement pages to full variable digital color, despite the fact that its print

service provider, Oniya Shapira, originally approached the company with a proposal to convert only VIP customers to full color.

As a result of these perceived benefits, document owners are projecting that by 2010, 33% of transactional documents will be printed in full digital color. In a nutshell, marketers agree that color matters and most are willing to make the investment!

Software: A Critical Enabler

There is no shortage of solutions when it comes to document composition software. Tools are available from a variety of companies, including Exstream, GMC, PrintSoft, Doc1, and Document Sciences. These and other solutions enable the development of business rules that govern how transaction data and other data and content are utilized to generate a unique document with personalized and relevant graphics or promotions for each recipient. In-house resources or print service providers can then use high-speed production printers with inline finishing to output documents and place them in the mail delivery stream, or divert communications to electronic output based on customer preference. HP's recent acquisition of Exstream Software is an example of how equipment manufacturers are investing in these critical software enablers to increase the value of—and integration with—their digital color print engines. This makes it easier for companies like HP to offer end-to-end TransPromo solutions designed to help customers enter this lucrative market.

Linking into Multi-Channel Marketing Campaign Management

New variable data design tools, many of which are integrated with document composition tools, also make it easier to construct 1:1 communications across a wide variety of channels of communication. They combine template design, built-in business logic, and automated print streams to support the development and production of variable content based on market segmentation, including the use of text, graphics, images, and fonts for more attractive messaging. In addition, savvy marketers are beginning to embed incremental offers and personalized Web URLs for customized Web microsites within transactional documents to create a two-way dialogue with the consumer and to learn more about their individual buying preferences, as well as to establish that intimate relationship that can help build customer loyalty.

The most effective communications programs use a combination of print, the Web, and e-mail. By tying all of these communications media together in an integrated campaign, marketers can collect more customer data for use in the next stage, track responses with personalized URLs and other mechanisms, and learn which media are most likely to get a response from each contact for more successful and cost-effective follow-ups. With the growth of TransPromo, statements and notifications are increasingly becoming a part of the integrated marketing cycle. Art Plus Technology founder Elizabeth Gooding cautions, "If you consider the statement to be the underlying vehicle for a new type of marketing platform, you need a good design and structure to support messaging. We give clients practical advice on how to understand what to promote to each type of customer and the best way to implement these promotions on statements. More importantly, we get them to take a critical look at their entire statement process." Gooding points out that you can have a fabulous statement design, but without the right process behind it to get it through compliance and to follow up on promotions, it can be a waste of money.

Figure 8: Components of a Typical Integrated Marketing Campaign
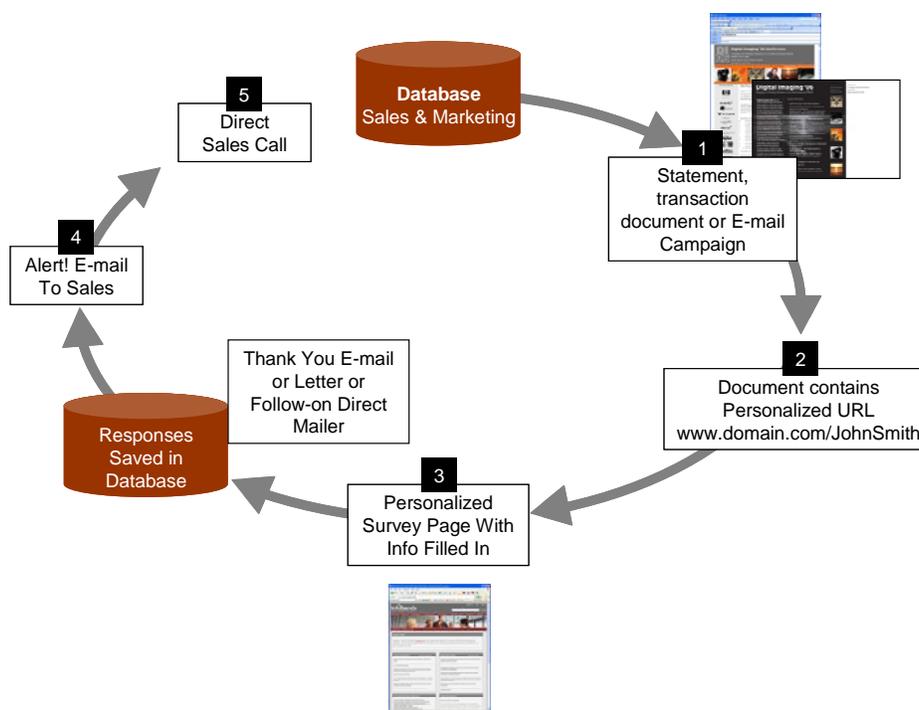
The integrated marketing campaign starts with mail. It could be a printed direct mail piece, statement, or notice, or it could be an e-mail. The document must be designed to attract attention. If it is strictly being sent electronically, the communication must be able to be opened by the individual's browser and structured to be less likely to be screened out by spam filters. Unique sizes and packaging and appealing color are important for printed pieces, but the most critical aspect of any direct mail campaign is the actual offer that drives the recipient to the next step. This can be a coupon with a special offer code or bar code that will enable tracking of its disposition, or a link to a personalized Web URL to allow the recipient to visit a personalized Web microsite to get more information and act on the offer. The campaign's Mail File (list of direct mail recipients) is used to generate personalized Web URLs for each recipient. These personalized Web URLs are then woven into the content of the direct mail piece, statement, or notification, along with other variable and/or transactional data. When the recipients type their personalized Web URL into a browser or click on it from an electronic communication, they arrive at a personalized microsite consisting of landing or VIP pages. These microsites can be as simple or as

advanced as the needs of a marketing program dictate. They might include a vehicle for collecting or validating data, such as Web forms or surveys, and a mechanism of presenting an offer. They can also instigate background activities, including notification of sales or customer service personnel that the site has been accessed, often even conveying new information that has been collected via the site. From there, the measurement and reporting of results begins.

Continuing the Dialogue

Once the individual has linked into a microsite, creative marketers want to gather additional data. In fact, every communication that the marketer has with the individual should be designed to gather more comprehensive knowledge to generate actionable intelligence for the execution of future marketing programs. The offer strategy must be compelling enough so that the recipient will be willing to complete a brief survey or provide data relative to interests and needs. In this way, that highly desirable customer intimacy can be established and the individual is likely to be more engaged.

Most solutions available in the market today include built-in tracking to enable continuous monitoring of the campaign's progress as customers enter their microsites and provide additional relevant information. Campaign response rates, visitor response patterns, and detailed lead information can be available 24x7 as the campaign unfolds. A dashboard displays the information that is found in reports. It provides charts, graphs, and real-time information about campaign effectiveness as well as real-time lead distribution. Because systems are template-driven, adjustments to messaging and offers can be made in a matter of hours versus days, weeks, or months. This enables marketers to refine the campaign in near-real-time based on the results they are seeing. Powerful tool sets also have the ability to generate detailed reports so the marketing executive can share the impact of critical marketing programs with the entire management team to justify campaign costs, an increasingly critical capability in today's cost-conscious corporate environment.

Print service providers who can offer this type of response tracking service can become valued marketing partners who can help marketers accurately pinpoint the effectiveness of a campaign and understand how to best target campaign resources while improving returns on the marketing investment. Based on the responses to microsite survey questions and other online selections, many of these solutions are designed to proactively forward leads to sales staff, routing these leads to the appropriate representatives via multiple communications platforms, including sales force automation or CRM (such as SalesForce.com), e-mail, cell phone, and pager.

The USPS Makes TransPromo Cost-Effective

One of the benefits of TransPromo is the ability to leverage transaction documents, which are mailed anyway, by blending promotional and other messages into one document. This consolidates the recipient's experience and can often eliminate the need to send multiple pieces of mail. Inserts, of course, can accomplish this as well, and mailers have gotten very good at stuffing envelopes with just enough material to stay below the one-ounce mark. As pointed out earlier, however, recipients often tune out inserts (perhaps as many as two-thirds of them), and many mailers feel that the effectiveness of inserts has substantially declined. TransPromo offers an opportunity for mailers to consolidate mailings and to leverage a new tool that will (at least for some time to come) attract the attention of recipients because it is new, unique, and innovative. In many cases, the number of offers as well as the relevance of those offers can be increased without incurring incremental postal costs. In the case of Israeli credit card issuer

Cal, average statement length tripled. This offered more statement real estate to promote Cal and third-party products and services, and to introduce a new loyalty program called "You" that offers cardholders the ability to earn benefits and discounts at partner retail and other establishments. "A typical statement would consist of a personal letter as the first page," said Ravit Spiegal, Vice President of Marketing for Oniya Shapira, who produces Cal's TransPromo statements, "which might wish me a happy birthday or convey another messages specific to me and my account. The second page would have the billing information, including Cal and partner offers; and the third page would be the 'You' statement that would include coupons and other offers."

Figure 9: Oniya Shapira Statements

Although many U.S. postal rate classes rose as a result of the May 14, 2007 USPS rate change, this change actually favored inserts and onserts. Businesses were given incentives to do more with existing communications by adding more weight to a first class piece. While postal rates on nearly every class of mail increased and in some cases nearly doubled, the cost of sending higher weight first-class letters actually declined. For example, postage on a two-ounce first class letter decreased by nearly 8%. According to DST Output, one of the largest providers of statement and billing output solutions, "The rate to send an additional ounce of first-class mail actually decreased from 24 cents to 17 cents on an individual piece. 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 less expensive to send promotional offers and messages with their transactional statements than separately, even if mail pieces exceed the one-ounce mark."

Changing Market Conditions

Partnering with the CMO

TransPromo solutions can have a major impact on marketing effectiveness, helping to improve the Chief Marketing Officer's (CMO's) job performance. Chief Marketing Officers have one of the most precarious jobs in the C-suite. Today's CMOs face the conflicting challenges of new channels of distribution, a 24/7 global economy, pressure to deliver identifiable ROI on their marketing spend, and the need to deal with rapidly evolving technologies that are changing the face of marketing. Marketers are challenged to more efficiently and effectively segment their markets, attract new customers with continuity campaigns that cultivate engagement, support multiple channels of distribution with comprehensive materials aligned to

the specific channel, identify cross-sell and up-sell opportunities, and maximize the lifetime value of the customer.

Statistics tell the story. According to Executive Search Firm Spencer Stuart, the average stay for a CMO is 23 months and only one in ten keep their jobs for more than three years. The firm states, "Just because a marketer was successful in the 1980s (where image and bigger advertising ruled) does not mean that he or she will be a good fit today (when successful marketing requires a much more complete and integrated approach)."

Simply stated, CMOs in every organization are looking for support in some very specific areas:

- Improving market reach
- Acquiring an integrated view of the customer and the ability to leverage technology to learn more about customers
- Compressing the campaign design-to-execution cycle to improve time to market (statements and transaction documents typically go out monthly, so this gives the CMO the ability to plan)
- Leveraging low-cost electronic media such as Web, e-mail, and SMS
- Measuring results from marketing campaigns
- Justifying marketing ROI

The CMO Council publishes an annual marketing outlook report that surveys CMOs. The Council reports that pressure to deliver on ROI metrics has given rise to a new breed of CMO that is more focused on measurable performance and business results than ever before. In the survey, the majority of marketers said their top goal in 2008 was to quantify and measure the value of marketing programs and investments (53%), up significantly from the 43% of respondents who listed this as their top issue in 2007. Other top issues included the need to grow customer knowledge, insight, and dialogue and a desire to upgrade the efficiency and effectiveness of the marketing organization.

These are all areas where TransPromo can deliver an extraordinary market impact.

Justifying TransPromo in the Marketing Mix: The Marketer's Perspective

Marketing is a dialogue over time with specific groups of customers whose needs you understand in-depth and for whom you develop an offer with a different advantage over the offers of your competitors.

This definition of marketing is all about the **relevance** of the message, **synergy** across media, and **efficiency** in reaching the target market. According to Ramesh Ratan, COO of the Direct Marketing Association,[4] "Marketers are always looking for more efficiencies in terms of the ability to generate relevant messaging. As they map their media mix, they are seeking venues where target audiences are present. This can range from selecting certain television dayparts for broadcast advertising to direct mailings aimed at certain demographic targets. TransPromo offers a unique way for marketers to leverage

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[4] www.the-dma.org

existing customer relationships and knowledge by delivering relevant marketing messages at a new level of granularity."

As Ratan indicates, personalization only has value if recipients view something as **relevant** to them. Effective offers are directed toward individual consumers and their specific needs. TransPromo applications can be leveraged to build relevant custom communications that differentiate the message in transaction documents. When a message is aimed at the millions, it rarely moves anyone. With TransPromo, marketers have the opportunity to target marketing messages in very unique and focused ways. With the capabilities provided by its HP Indigo, one of the largest direct marketing firms in the U.K., Communisis, will be looking to deliver this type of relevancy for its banking customers, as well as utility companies and food retailers that have loyalty programs. Communisis already offers transactional and promotional printing for its customers and is ideally positioned to converge the two for added customer benefits. "We have over 40 people working in our data bureau and another 40 in our creative studio," indicates Andrew Lydiatt, Communisis' Business Manager for Digital. "That level of resources makes us uniquely qualified in this country to draw in TransPromo work, and to add more complex data-centric applications for these key customers."

Synergy among the many available media options is critical. Marketing executives have come to the conclusion that reaching a target market via multiple media options is a force multiplier. Mass media is still effective in building the brand. Direct mail, TransPromo documents, and catalogs can be even more effective when linked with the Web. Web-based customer interaction centers can follow up customer contact with a blend of e-mails and direct mail to ensure customer intimacy and offer a unique relationship with the supplier that is difficult to achieve through a single medium.

"What TransPromo means to First Data and its clients," says Glen Wordekemper, First Data's Vice President of Product Development for Customer Communication Products, "is making sure that the consumer gets the most relevant, tailored, and optimized offer, and that it is delivered in the most efficient way." Wordekemper explains that transactional data enhanced with marketing messages might be delivered via hardcopy mail, e-mail, SMS messaging, or even online self-service tools. "What is important to our customers," he adds, "is that all of these media carry a consistent theme."

Marketing **efficiency** will be a key determinant in measuring the success of TransPromo campaigns. Efficiency metrics describe the cost to execute marketing projects, and will help deliver against ROI expectations when combined with the ability to measure incremental revenue generated (or decreased costs due to lower call center volume, etc.). At the same time, however, it can often be difficult for companies to access all of this information to make marketing decisions in an effective manner. Art Plus Technology's Gooding points out, "If a bank does not understand why it has a high customer attrition rate in the first 90 days after a new account is opened, it can't extract appropriate triggers from the transaction data to lower the attrition rate. For example, a bank may be selling a consolidated banking package that includes checking, savings, a credit card, and an offer to open an IRA. In exchange for doing that business with the bank, the customer may be offered reduced bank fees. If they don't get around to opening the IRA, however, they don't qualify for the reduced charges and can become disenchanted when those higher charges appear on their statement, causing them to defect."

The DMA's Ratan cautions, "We also need to be cognizant that while there are a phenomenal set of opportunities associated with TransPromo communications, it is critical to consider issues around privacy, consumer choice, and data security. With those considerations in mind, TransPromo provides an

opportunity to leverage customer knowledge in unique and innovative ways. TransPromo takes advantage of the monthly communication with customers to educate, inform, and promote in a relevant, one-to-one dialogue that can be difficult to achieve as cost-effectively with other media."

By its very nature, TransPromo is personalized, and it is well understood that personalization increases overall revenue, repeat orders, order sizes, and response rates when compared to generic marketing activities. Organizations such as banks, retailers, and insurers hold endless records detailing every aspect of our personal demographics and are increasingly able to utilize this huge store of data to generate promotions that are accurately targeted according to a recipient's likely preferences.

TransPromo: More than Statements

TransPromo goes far beyond the conventional statements, bills, confirmations, and notifications that we typically think of as transactional documents.

A transaction is a willing exchange between two parties; it is an "opt-in" relationship between a customer and a supplier that crosses all strata of commercial and professional relationships. For example, pet owners may opt in to a relationship with their veterinarian, under which they will receive regular transaction documents from the vet reminding them to bring their pet in for check-ups and the like. Many of these notifications are still very utilitarian (text-only) postcards that are often printed on dot matrix printers, and they provide little opportunity to promote products and services. As we shall see later in this document, leveraging these mundane, transactional documents into an effective marketing vehicle can deliver big results.

The Advantages of Transaction Documents as a Marketing Platform

For most companies, strategic marketing goals are linked to keeping existing customers, attracting new customers, talking to customers and prospects about their needs one-on-one, and most importantly, motivating customers and prospects to act. Marketers are beginning to discover how to effectively use transactional documents as a marketing platform to cost-effectively achieve these objectives.

A wide range of companies from many different industries are learning that with statements, notifications, and other transactional documents, they can easily include personalized, full color marketing offers. TransPromo is a very cost-effective mechanism when compared to mass media alternatives like billboards, television, the radio, and magazines. With the one to three minutes that consumers typically devote to reviewing these documents, they are well-positioned to capture more customer mindshare than many other conventional advertising channels.

The advantages are clear:

- The invoice enters the customer's home (90% of invoices compared with 7% of direct mailings)
- A direct, personal approach to the customer attracts maximum attention because it contains valuable information
- Marketers can add eye-catching, full-color graphics
- The customer receives personalized coupons and marketing offers according to his/her previous purchasing history and other cross-referenced analyses

- It generates savings on marketing costs—printing and mailing costs have already been paid to send the invoice
- It creates a drive to act (i.e., make another purchase or request more information)
- It diverts the customer's attention from "cost of service" to "benefit"

There is no question that the means now exist… marketers can leverage existing customer databases and advanced data mining technologies for effective TransPromo communications that can deliver cost-effective results and a clear ROI.

Leveraging TransPromo for Incremental Revenue

InfoTrends' *Future of Mail* study clearly demonstrated that consumers prefer the relevancy of communication that TransPromo offers. It also demonstrated that document owners are beginning to recognize the benefits of transpromotional documents. Print service providers surveyed during our research indicated that 36% of the transaction documents that they currently print contain digitally printed marketing messages in the document, and they believe this will increase to 50% by 2008 and 54% by 2010.

Perception of the benefits of TransPromo by marketing professionals is fairly consistent. Those who recognize one advantage tend to appreciate the others, while others do not really perceive any benefits of TransPromo. This highlights the opportunity for print service providers to educate marketers about the benefits of TransPromo, in the process generating more business for themselves and increasing the value of their services to the marketing professional.

Marketers who understand the benefits of TransPromo see two key areas that can lead directly to increased revenue. The first is the opportunity to up-sell or cross-promote products or services offered, and the second is the opportunity to gain revenue through more effectively selling ad space on transaction documents. A closely related benefit is the potential for strengthening relationships with partners. Many financial institutions and utilities have included partner inserts with their statements for decades. TransPromo provides an opportunity to extend the practice to onserts, or marketing messages that are placed on the statement itself. About two-fifths of those who responded to our *Future of Mail* survey see these as important benefits, while slightly more than one-fourth do not. Not surprisingly, most of those who do not perceive the benefits of transpromotional documents have no plans to implement them.

Meanwhile, those who do understand the benefits of TransPromo are reaping big benefits. Witness the results that Humana achieved with its SmartSummary health statements:

- 17% increase in loyalty and retention

- 52% increase in its private Smart Products membership

- 3% coupon redemption rate (compared to norm of 1.5%) from personalized coupons

- 42% shift from brand to generic drugs (typical is 10%) through targeted message campaigns

- Call center calls for member questions/concerns dropped from an average of 7%-10% to less than 3.5%

- Call center mean call times reduced by 15%

Figure 10: Humana's SmartSummary Statement Sample
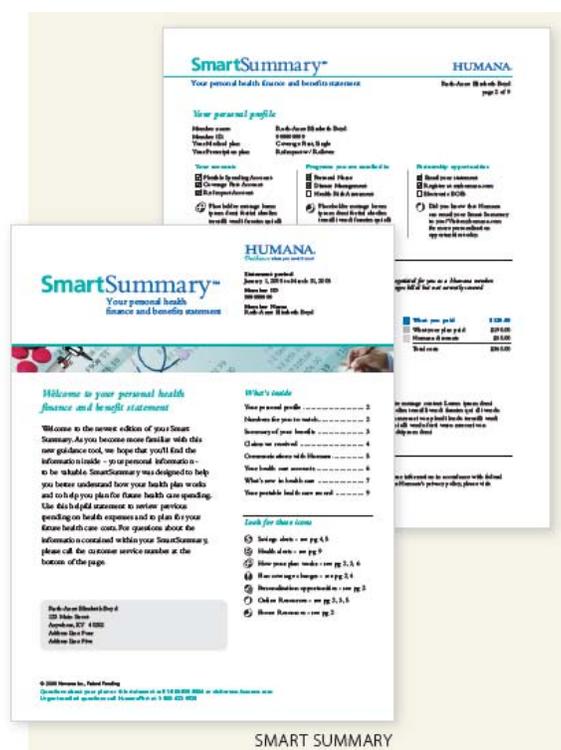
Another highly-ranked benefit of the TransPromo opportunity is the ability to leverage postal expenses by including promotional information with statements—39.5% of respondents perceive this as a benefit, while 28.3% do not. Again, those with no plans to incorporate promotional materials, as well as those who do not currently offer electronic presentment services, are less likely to perceive these cost savings as a benefit.

The incorporation of marketing and promotional materials within transaction documents is still a relatively unusual phenomenon, with 13.1% of respondents strongly believing that this differentiates them from the competition, and another 22.8% seeing it as a moderate differentiator. Nearly as many, however, do not see competitive advantage as a benefit of transpromotional communications. Yet in discussions with those who have already implemented TransPromo, Meanwhile, the case studies included with this white paper clearly demonstrate that there is a significant belief by savvy print service providers in the

benefits of TransPromo applications and echo the bright future InfoTrends has seen in its research with respect to the projected growth of TransPromo implementation.

Synergy Abounds!

Customized statements and transpromotional documents can also be used to help customers navigate from the statement to other channels for further information or analysis tools. Statements can reference materials posted on a Web site, or there can be personalized URLs that link the recipient into a microsite containing customized retirement planning tools or toll-free numbers for change of beneficiary data. "Often," says Art Plus Technology's Elizabeth Gooding, "you will find links to relevant topical sites in statements from financial services and other companies. For example, if a customer took out a loan from her 401K, her statement might refer her to a site that offers education on how these loans affect the retirement plan and provide a 401K calculator to allow her to better understand her particular situation. It might also offer alternative loan options—but it wouldn't be fully personalized and it often doesn't need to be."

Retailers are also starting to use personalized URLs to link clients to customized landing pages where the retailer can gather further information to refine offer strategies. Visitors can access coupons or promotion codes that drive traffic to a Web catalog or store location for additional purchases.

As mentioned earlier, Chile's Jordan is experiencing good success in delivering relevant promotions via transactional documents to the private banking and supermarket industries. The company also sees tremendous potential with cellular phone companies and will be pursing that market aggressively.

While the majority of direct marketers are not doing a great job at integrating campaigns today, they will improve over time as they gain more experience with the newer media. Messages will eventually be delivered consistently and paper and electronic communications will be coordinated. InfoTrends' research reflects that an average of 18.9% of communications had no cross-media coordination in 2006, but this percentage is expected to drop to 13.3% by 2008. Meanwhile, 17.3% of survey respondents said that all their direct marketing efforts made use of both delivery mechanisms in 2006, and this percentage is expected to rise to 19% by 2008.

Figure 11: What percentage of your average direct marketing campaigns currently consist of (or do you expect to consist of) traditional direct mail as well as Web marketing?

Mean =	2006	2008
	47.2%	52.4%

Legend:
- 100% (dark gray)
- 90 to 99% (yellow)
- 80 to 89% (light blue)
- 70 to 79% (gray)
- 60 to 69% (gold)
- 50 to 59% (teal)
- 40 to 49% (light gray)
- 30 to 39% (brown)
- 20 to 29% (peach)
- 10 to 19% (green)
- 1 to 9% (orange)
- 0% (dark blue)
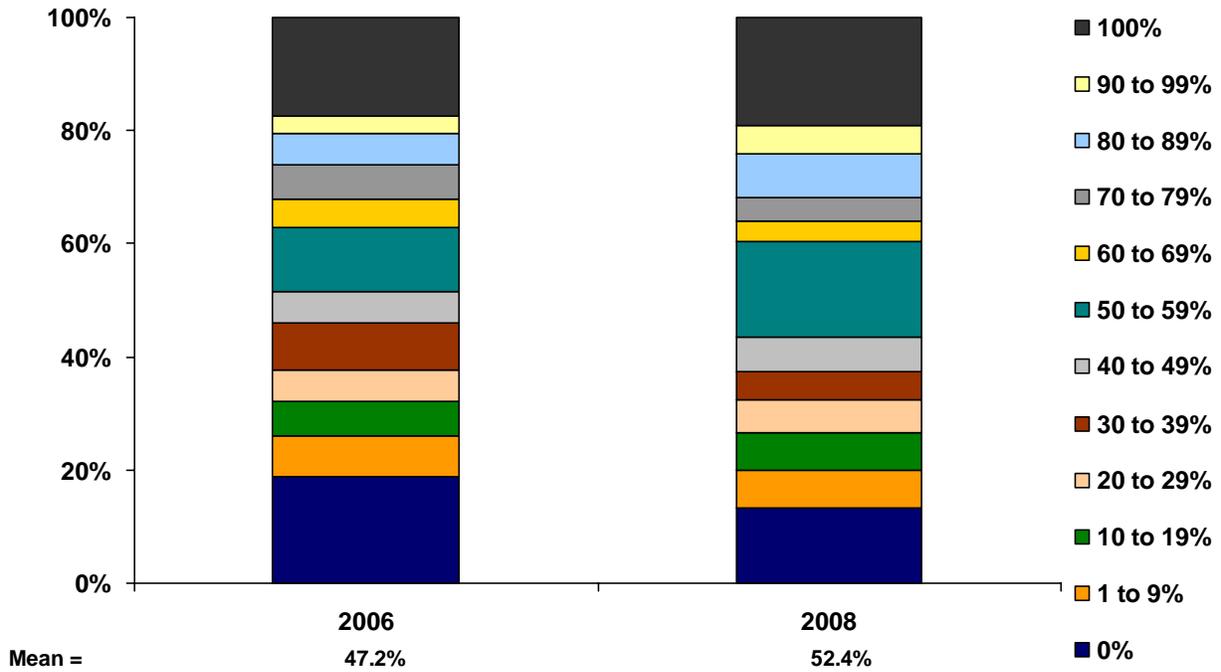
Source: InfoTrends; N = 196

The Web is no longer the only method of paperless direct marketing; an increasing number of customers can (and want to) be reached via mobile devices such as PDAs and cell phones. Accordingly, InfoTrends asked respondents what percentage of their average direct marketing campaigns consisted of, or were expected to consist of, both traditional direct mail as well as Web marketing and marketing to PDAs and cell phones. The overall mean today is 24.8%, and this is expected to reach 28.1% by 2008.

A substantial minority (42.1%) of respondents reported that they do not include any mobile devices with their traditional direct marketing campaigns, although this is expected to drop to 37.9% in two years. Not surprisingly, the most innovative companies in terms of incorporating cell phones and PDAs are computer services organizations, but non-profits score respectably as well. The overall average among those who rely on agencies to develop and execute campaigns is comparable to those who use them less or not at all.

Figure 12: What percentage of your average direct marketing campaigns consist of (or do you expect to consist of) traditional direct mail, Web marketing, and marketing to PDAs/cell phones?

Mean =	24.8%	28.1%

N = 195
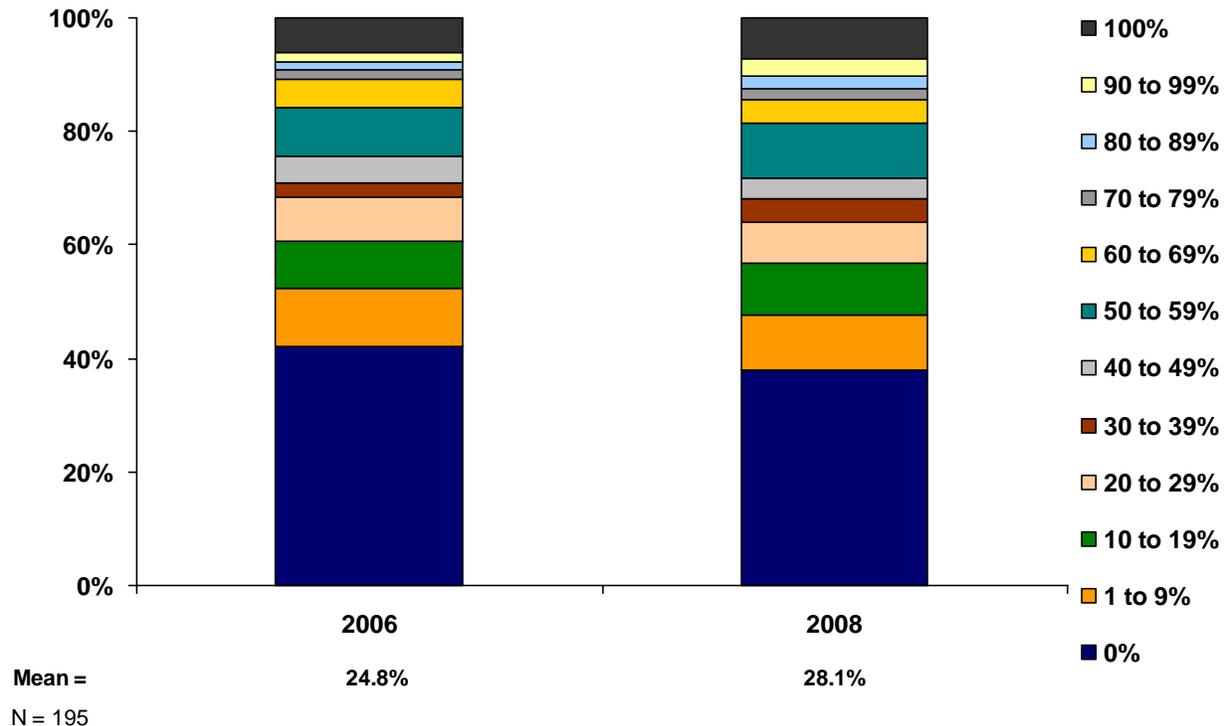
Aggressive retailers are also investigating strategies that blend geopositioning with marketing initiatives. One example is the inclusion of a map to the nearest store based on your postal code. In the future, we can probably expect this to extend to opt-in programs that will notify customers via cell phones and PDAs when a specific brands or items go on sale, perhaps even offering directions to the nearest location, taking SMS alerts to a new, more marketing-intensive, level.

TransPromo is Efficient!

The benefits of transpromotional applications in terms of efficiency are well-known:

- Transaction documents command more attention (The average customer invests 1-3 minutes for statement review).

- Companies are already mailing statements, and this makes TransPromo cost-efficient.

- While the average customer may be exposed to as many as 3,000 advertising messages a day, they receive less than 12 transaction documents monthly. TransPromo can cut through the clutter.

- TransPromo documents are addressed to a well-known target market…current customers. A 5% increase in current customer business can equate to as much as a 50% increase in bottom line profits.

- Clarity associated with TransPromo documents and digital color communications can lead to reductions in call center activities.

This latter benefit highlights another metric that is important in determining the true cost of interacting with customers—the average cost of each customer inbound call. The 2006 *Future of Mail* study found that the mean cost per customer support call is $16.60, up from an average of $13.80 during the 2002 study. Further analysis indicates that this works out to a call rate of 15.7 calls per 1,000 documents, or a call center cost of $251.53 for every 1,000 documents distributed. Humana was able to reduce call center calls for member questions and concerns from an average of 7%-10% to less than 3.5%. Humana produces four million full-color statements each month. Using the numbers cited above, this translates to a savings of more than $50,000 per month.[5]

Not only does TransPromo offer an excellent platform for marketing, but when redesigning transactional documents to incorporate color promotional messages, the statements themselves can be made more understandable and intuitive, offering easy access to Web self-service portals, contributing to the reduction of call center volume. In a recent *Insurance & Technology* article,[6] First American Property & Casualty's CTO Jim Court pointed out, "By reducing call center volume [by enabling increased customer self-service], we've avoided hiring additional customer support reps, which equates to about $400,000 in savings to the organization annually." The average $0.0654 incremental cost per statement incurred by TransPromo applications over statements produced with preprinted color forms quickly pays for itself when the benefit of reduced call center traffic is added to the potential incremental revenue benefits that TransPromo offers.

Figure 13: Approximately how much does the average customer support call cost your company?

N = 206

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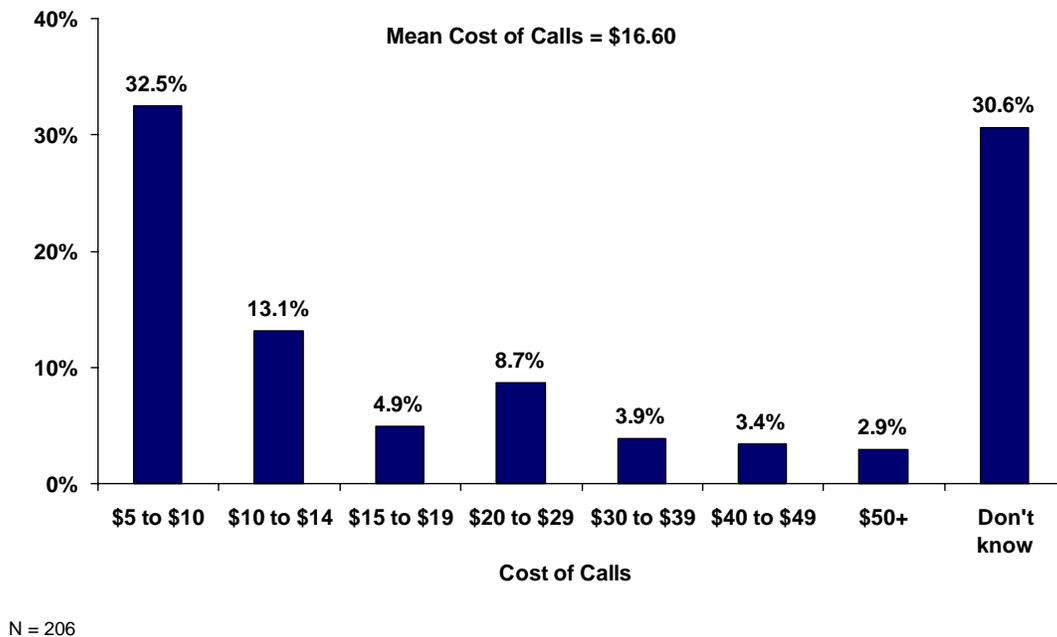
[5] If 8.5% of Humana's 4 million statement recipients utilizing the call center would result in 340,000 calls per month. By reducing the volume of calls to 3.5%, call volume declines to 140,000 calls. Savings are calculated based on a cost of $253.53 per thousand calls, which is not necessarily representative of Humana's costs.
[6] *Agile Infrastructure* by Anthony O'Donnell, Insurance & Technology Magazine, October 2006.

InfoTrends' research indicates that marketers are getting this message loud and clear, with almost two-thirds of respondents including promotional messaging in their transactional documents or planning to do so by 2010.

Figure 14: Do you include any marketing messages, information, or advertisements in your transaction documents?
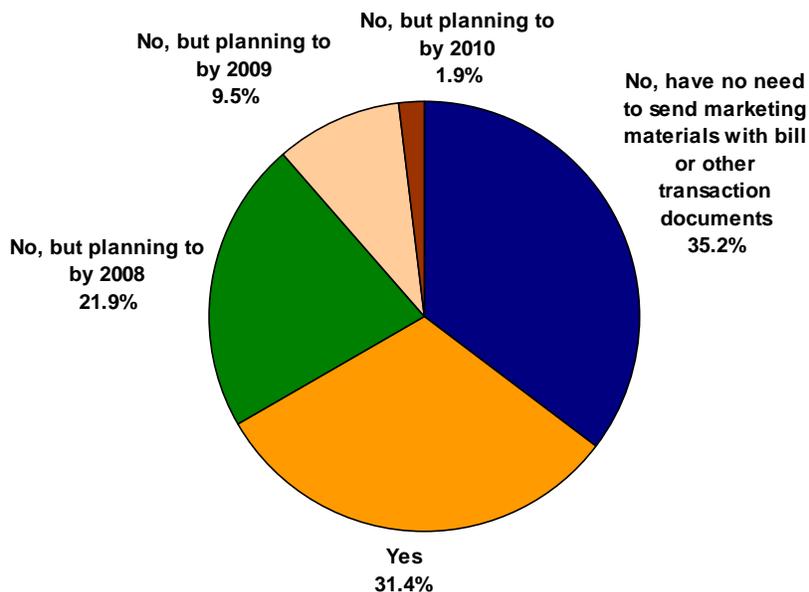
N = 210

At the same time, however, this does not mean that transpromotional implementation is without challenges.

The TransPromo Challenge

Marketing Metrics

Although there has been an increase in the number of consumers who prefer to receive transactional documents in electronic form only, the adoption rate has been slower than was anticipated at the start of the electronic bill presentment and payment (EBPP) revolution. A review of articles from 1998 and 1999 indicated a widespread belief that by 2002, e-presentment would be the normal mode of bill delivery to consumers, and e-payment would have a significant market share. eMarketer's October 2001 Electronic Payments report indicated that 2002 would be the year EBPP took off, but by February 2003 the same organization said that consumer skepticism was the most significant factor in the low adoption rates. This will change over time, however, as the younger generation of "digital natives" reaches adulthood and as companies do more to incent their customers to switch to electronic only. One large mortgage company that InfoTrends interviewed in developing this white paper indicated that its customers are provided with an either/or choice—if they choose electronic delivery, all paper is suppressed.

In any case, InfoTrends' research confirms that more than 67% of today's consumers still want paper, and paper-based mail has remained a preferred communication mechanism for a number of applications.

Figure 15: Which of the following factors do you believe have hampered the adoption of Internet presentment?
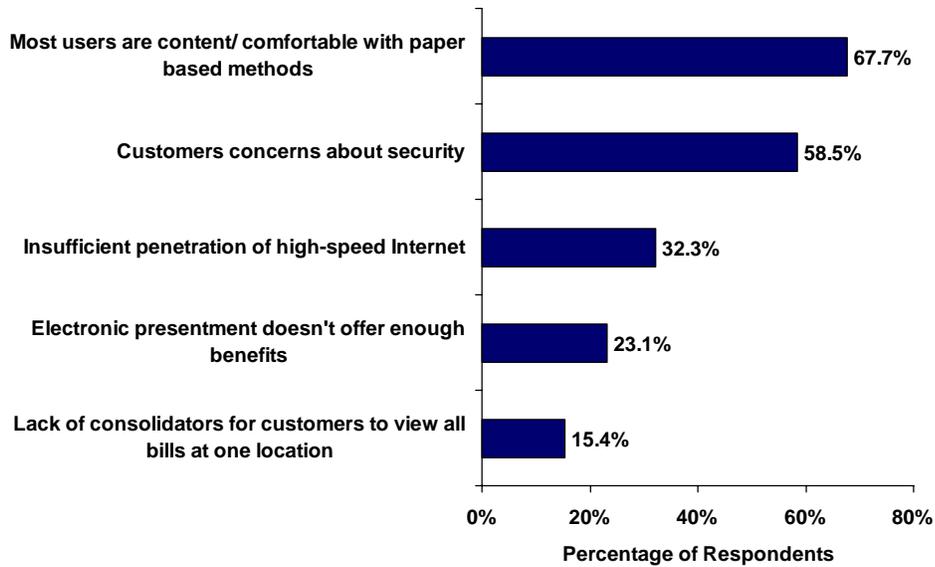
N = 65   Multiple Responses Permitted

When document owners were asked about other inhibitors to transitioning to TransPromo, a resounding theme was that the ROI for such a move was unclear. They didn't have the metrics to determine whether TransPromo enabled more efficient cross-selling and up-selling and could be attributed to measurable incremental revenue generation. In addition, many companies are reluctant to share real-world data on successful TransPromo implementations, because they consider this to be proprietary information that offers a competitive advantage. Although more measurable results are making their way into the market (including those cited in this document), this lack of information has slowed TransPromo growth in the past.

Figure 16: To what extent do you consider the following to be inhibitors to transpromotional documents?

They enable us to effectively upsell or cross-promote our products or services	3.1
We are not convinced that recipients prefer one document	2.7
The return on investment is not clear	2.7
Current print technology does not allow us to meet our delivery requirements	2.6
Internal conflicts and management make them difficult to implement	2.6
The return on investment does not justify a change	2.6
Our partners who supply the inserts are resistant to change	2.5

1   2   3   4   5
No an inhibitor   Major Inhibitor

N = 208

According to Art Plus Technology's Elizabeth Gooding, companies must make the effort to measure baseline performance and establish specific objectives for a TransPromo project. The APT financial services company that accrued a 10.5% increase in 401K participation identified 11 behaviors it wanted to influence through 401K statement redesign. Gooding states, "They understood what they wanted to promote, captured the measurements up front, allowed us to redesign the statement and the entire statement process, and committed to measuring results over time. We got phenomenal results for the retirement industry—increasing participation by 10.5%. That type of result is almost unheard of, but we were able to achieve it through research and planning, and by developing an integrated marketing campaign for which the statement was the core."

Great marketers figure out how to make their customers' lives better, with the goal of attracting lots of profitable and happy customers. As Gooding points out, to measure how well marketing efforts help build a large and loyal customer base, it is essential to identify and use the metrics that matter most—and to establish a baseline current state against which to judge the performance of a new campaign. This is one of the most forgotten aspects of most programs today… you need to try them, test them, and most importantly measure them!

The metrics will change depending on the type of program, but metrics serve as the most important mechanism to address the speed of the TransPromo implementation cycle for corporate America. Document owners, with the support of their print service provider partners, need to understand retention rates, abandonment rates, net promoter scores, and the ROI of TransPromo versus other alternatives.

TransPromo Makes for Strange Bedfellows!

Groucho Marx once said, "Politics doesn't make for strange bedfellows… marriage does." In this instance, TransPromo does as well. Think about all the disciplines that must come together to deliver an effective TransPromo campaign. Suppose you're positioning a promotional message next to essential transaction information. The data processor has been responsible for getting that transaction document out the door for a long time. Now he or she needs to work with marketing to assess which promotion goes to which

customer to instill loyalty or grow "share of wallet." If there are business partners (like car rental company ads on credit card statements), marketing and data processing need to coordinate which ad goes on which statement, and the printing technology utilized must deliver an appropriate level of color quality to adequately promote high value offers.

Examples of the kinds of activities taking place in today's market include:

- Credit card companies are satisfying customers and merchant partners by targeting messages and promotions based on spending habits, including geo-relevant data.

- Telecommunications companies are reorganizing statements to improve readability, reduce paper costs, and add unique offers based on the customer profile and geography.

- Utility companies are ensuring regulatory compliance by including energy-saving tips and hints that are specific to the household on the monthly utility bill.

- Airline companies are embedding partner coupons in loyalty statements based on customer preferences and travel destinations.

- Healthcare insurers are sending statements with embedded messages that discuss certain chronic or age-related diseases and provide prevention or care instructions.

The creative team needs to ensure that the document is properly designed so the message "pops," and then the production department takes over. The production department must have access to printing technology that can deliver the level of quality envisioned by the creative team, as well as access to software solutions (such as Exstream, GMC, or PrintSoft) that enable real-time selection and insertion of high-quality product images and messaging based on customer data and other business rules established by the marketing department.

This is a significant change in business process dynamics, and we all know that change is never easy.

Opportunities Abound!

Despite the inhibitors, TransPromo represents a major opportunity for marketers to get their messages across and enables print service providers and service bureaus to add substantial value to the traditional transaction document.

InfoTrends estimates that the North American market for TransPromo printed in full digital color was 1.62 billion impressions in 2006. This is forecasted to reach 21.72 billion impressions by 2010, representing a 91% CAGR over a four-year period. Consumers have a high preference for TransPromo, and print providers see the benefits and believe they can sell them. Document owners still require education on the benefits that TransPromo can provide and the factors that will inhibit migration.

Critical Success Factors

TransPromo has a proven value proposition, and the marketers and print service providers that we spoke with provided clear examples of this. At the same time, however, there are key ingredients that can ensure the success of TransPromo applications. The most essential ingredient to achieving success with TransPromo is *relevance*. If customers feel that they are receiving messages intended only for them, this will increase loyalty, sales, and revenues. Meanwhile, information about servicing a John Deere tractor to

someone who has no record of purchasing one will likely fall on deaf ears, and it can also damage the customer relationship. For the John Deere owner, however, this information is valuable, enhances the relationship, and is likely to drive a desired behavior—scheduling a fall service appointment, for example.

The offer to enhance a relationship (i.e., cross-sell, up-sell, or drive enhanced loyalty) needs to be something that the recipient deems of value. The messaging must be clear because it reflects on the quality and design of the document. It must have solid branding integrated with appropriate variable data and images. Additionally, the quality of the document must be appropriate for the products and services being promoted. Poor-quality images of high-value items, such as fine jewelry or real estate, will detract from the effectiveness of the offer can have a negative effect on brand perception and integrity. They will not deliver the results marketers are hoping to achieve from this new customer communications methodology.

In addition, the marketer must have the right infrastructure in place to measure responses so that offers can be refined and an ongoing dialogue can be maintained with the customer.

Finally, suppliers need to be channel-agnostic. This means that the corporation must deliver the message via the customer's media of choice. If the client is most reachable electronically, for example, Web-based communications are key.

Despite the growth in the use of alternate media, the future of print and mail remains positive. Print remains a strong medium for transaction and direct mail documents for the foreseeable future. At the same time, however, vendors must provide solutions that are channel-agnostic and accommodate the integration of print and the Web, and graphic communications service providers will need to prepare to implement them. Print will be around for a long time and it is a tactile valid mechanism, but it needs to be blended with multi-channel options.

Finally, there is a lack of education in the market about technology and the concepts surrounding TransPromo. Vendors, industry and marketing associations, graphic communications service providers, and corporations with experience must reach into the market and take the time to share their successes.

HP: Supporting TransPromo

HP Indigo's commercial press portfolio offers a wide array of high-quality digital presses to meet the needs of demanding TransPromo applications. Ranging from the HP Indigo press 5500 with a duty cycle of more than 1.5 million impressions (A4/letter 4/0) per month (24x7) to the new 120-ppm 4c and 240 ppm 2c, HP Indigo 7000 Digital Press with a duty cycle in excess of 3.5 million impressions per month, HP Indigo's sheet-fed presses deliver the highest quality in the industry. For even higher volumes with the same exceptional color quality, the roll-fed HP Indigo press w3250 and newly announced HP Indigo W7200 Digital Press have duty cycles (24x7) in excess of four million and seven million impressions per month, respectively. HP Indigo presses deliver process color with offset-like gamut and color consistency from job to job and from press to press. Extended color capabilities enable the production of accurate corporate and brand colors, critical to the success of these marketing efforts. These capabilities include:

- 4-color Pantone emulation (PMS, Pantone GOE)

- Indichrome colors for enhanced 6/7 color PMS and GOE emulation

- Spot color mixing for perfect brand/other colors

The new HP Indigo 7000 Digital Press is optimized for very high volume production of static jobs with run lengths of thousands, as well as variable campaigns and ultra short runs. It is ideal for high volume sheet-fed shops wishing to meet the emerging needs of the TransPromo market. The HP Indigo 7000 Digital Press features improved total cost of ownership and is supported by HP's new SmartStream Production Pro Print Server, a digital front end that enables the separation of press and prepress operations, as well as the management of multiple presses from a single, user-friendly interface. With multiple print engines, the SmartStream Production Pro server performs automatic load balancing for processing and printing, and features strong JDF connectivity. This new PrintLink operational model means that presses are never waiting for the RIP. Additionally, as companies work to improve operational efficiencies, these advanced servers allow press status and activities to be reported online for easy access and management, as well as simple MIS integration for real-time business management.

In the web-fed arena, The HP Indigo W7200 roll-fed press join the HP Indigo w3250 in providing the highest quality digital web-fed printing available in the industry. Also powered by the SmartStream Production Pro server, the W7200 is based on HP Indigo new print engines and is specifically targeted toward direct mail and TransPromo applications. This new press prints at 240 A4 four-color images (120 A4 4/4 sheets) per minute, translating to a maximum daily capacity of 120,000 A4 duplex color sheets. The HP Indigo W7200 can also print at 480 2-color images and 960 monochrome images per minute. The W7200 features support for AFP/IPDS print streams as well as PPML, PostScript, and PDF workflows. Configurations are highly scalable in terms of RIPing power as well as storage capacity. Because it is a roll-fed press, page lengths can be variable from page to page or document to document, allowing more flexibility in the production of transactional documents that may include a variable number of coupons or other marketing objects. HP Indigo's w3250 and W7200 support a wide range of substrates in weights as low as 40 gsm (27lb text) and offer a fully automated printing solution, from roll to finished document.

HP Indigo digital presses support the widest range of substrate brands and grades for commercial applications, with over 1,300 off-the-shelf certified substrate solutions supported by more than 100 media suppliers worldwide, including a wide range of FSC, recycled, and other eco-friendly papers.

This year, HP (IHPS Business Unit) announced a new Inkjet Web Press. It is a thermal inkjet printer capable of speeds of 400 linear feet per minute on webs as wide as 30 inches (29-inch print width). Based on a three-up duplex imposition, the Inkjet Web Press can print up to 2,600 letter-sized four-color images per minute at 600 x 600 dpi resolution. Using HP's scaleable print technology, the device takes advantage of the 4.25-inch inkjet heads used in multiple HP products, including HP's CM8050 and CM8060 Edgeline products (which began shipping in 2007), and the PhotoSmart Express Photo Kiosk, which is an unattended retail photo kiosk that entered the market in 2006. HP's ability to effectively stitch multiple inkjet heads together is one advantage that it sees of the scaleable print technology used for the Inkjet Web Press. HP intends to leverage its scaleable print technology across a broad product portfolio. The thermal inkjet head not only lays down the colors, but also lays down a substance that acts as a bonding agent to provide high quality, image permanence, and more efficient ink usage. This press, with its pigment-based inks, will produce high-quality output on a wide range of uncoated stocks and newsprint. HP's intent with the Inkjet Web Press is to provide full color quality at the best digital print economics. The HP Inkjet Web Press is ideally suited to TransPromo applications. HP will use the SmartStream Ultra Print Server as part of a unified approach to print servers and workflow across the IHPS and Indigo product offerings.

HP's end-to-end TransPromo solutions are based on HP's high quality print engines and VDP authoring tools from partners. HP has partnerships in place with PrintSoft and GMC, and recently announced the acquisition of Exstream Software. For finishing solutions, HP works with Hunkeler to offer automated roll-to-roll or roll-to-sheet configurations. HP's strength as an IT company makes it an ideal partner for service bureaus, bringing additional credibility to the sales process when competing for new projects.

Thus, HP offers an attractive suite of alternatives for production of high quality TransPromo and direct mail applications, including sheet-fed, web-fed, color laser, and inkjet. Combining these high-quality print engines with SmartStream workflow from HP as well as partner solutions makes it easier for print service providers to enter this growing and lucrative market.

Summary

In a world where consumers are oversaturated with marketing messages, marketers are seeking ways to produce more relevant communications that break through the clutter, move the recipient to action, and create a dialogue that enables marketers to gather new information so they can fine-tune messaging and offers over time for even more relevance.

This white paper has clearly demonstrated that TransPromo is an application whose time has come. From InfoTrends' *Future of Mail* study, we learned that consumers want relevant personalized communications—more than 60% of respondents expressed a preference for direct mail as the primary method of contact for marketing and promotional purposes and 63% indicated a preference for personalized offers on the face of the statement versus inserts.

Leveraging statements and other transactional documents as a marketing platform is emerging as a critical method for achieving both of these aims—giving the consumer what he or she is asking for, in a manner that delivers ROI for the marketer. Companies from around the world, like Oniya Shapira in Israel, Communisis in the U.K., and Jordan S.A. in Chile, are finding new opportunities and new revenue streams for themselves and their customers as they develop innovative approaches to leveraging transaction documents as an effective and relevant marketing platform.

Beyond that, TransPromo makes it possible to turn statements, notices, and other mundane transactional documents from a cost center into a new revenue stream. While statement inserts can typically be sold for $10 to $20 per thousand, savvy marketers believe that they will be able to sell white space on transaction documents for as much as $50 to $100 per thousand. Let's face it—95% of all transaction documents are opened and read, and recipients spend one to three minutes reviewing them. They may even pick the document up multiple times. Marketers see huge value in leveraging this opt-in relationship to ensure that their messages get through without quickly finding their way into the round file or being tuned out altogether.

At the same time, however, value of this magnitude comes with a price. For many companies, organizational realignment is necessary. At a minimum, new relationships must be forged among marketing and operations personnel, IT staff members, agencies and design firms, and internal or external graphic communications service providers to reap maximum rewards.

In an increasingly complex world, people are strapped for time. They want only the information they need. They want it quickly and efficiently so they can move on to the next task in their busy day. In short, they want less information that is more relevant. They prefer honest and meaningful dialogue to bombardment.

Because TransPromo is based on existing relationships, it gives marketers a unique opportunity to deliver against those demands to build customer loyalty.

TransPromo is uniquely designed to support four dimensions of relevancy, and delivers:

- **Relevancy in Content,** providing the right information in the right context
- **Relevancy in Contact,** providing the right information to the right people
- **Relevancy in Channel,** delivering content to the right device in the right format
- **Relevancy in Time,** providing information when and as needed to meet the recipient's specific needs.

TransPromo is an application whose time has come, and the statement is the new platform for marketing effectiveness. Marketers as well as their graphic communications service provider partners are already beginning to reap the benefits of TransPromo, but there is much more to come. In just a few short years, TransPromo will evolve from a novelty to a discipline, generating a CAGR of 91%. Don't let this opportunity escape. Leverage the lessons contained in this white paper into your own marketing powerhouse to maximize that marketing return on investment.

Appendix: Detailed Case Studies

Oniya Shapira Wins Cal TransPromo Business

Located in Israel, Oniya Shapira is one of the largest color digital print sites in the world, with six HP Indigo W3250 digital color presses. Established in 1936, Oniya Shapira offers pre-print services, full color digital print of over 500,000 pages per day, black & white digital print, and offset printing, as well as a variety of finishing and wrapping lines that afford vast capacity per day.

"Until a year and a half ago," stated Ravit Spiegel, VP of Marketing, "we had offset and black & white digital. The majority of our business consists of statements and bills for banks, insurance companies, and telecommunications companies, including cable TV. We installed our first Indigo to expand our presence into the fashion, food, and cosmetics industries with personalized catalogs and other promotional materials."

Oniya Shapira was already printing statements for Cal (Israel Credit Cards Ltd), an issuer of major brand credit cards, including VISA, Diners' Club, and MasterCard along with retail credit cards and loyalty cards, using offset-printed shells with black & white digital overprinting. Cal statements included some black & white marketing messages. With the addition of color digital to its print production fleet, Oniya Shapira was able to offer Cal the innovative concept of adding promotional messaging to statements using color and graphics. This ultimately resulted in Cal issuing an RFP to upgrade its statements, with the objective of converting them from a cost center to a profit center. "Cal believed that using statements as a marketing platform would be a big win from a customer relationship and revenue perspective," stated Ravit. Oniya Shapira was awarded the contract and will be producing 8 million color statement pages per month for Cal Israel across all of its brands.

Before and After

Before implementing the new program, Cal statements contained personal messages in black text with minimal graphics. "In implementing the new program," related Ravit, "we basically had to start from

scratch. It was a totally different product. We acquired GMC Software Technology's PrintNet-T for composition and installed five HP Indigo presses in addition to an existing press to accommodate the anticipated volumes."

In implementing TransPromo, Oniya Shapira was able to offer Cal a range of different templates for the different brands, including the VISA, Diners Card, and MasterCard brands, each with its own color palette. Templates were designed according to Cal marketing and IT requirements, and the various resources that would be required were identified, including pictures, images, coupons, banners, and other promotional objects that would be placed on the new statements.

The average number of pages per envelope tripled with the black & white model, according to Ravit. The new model offered more space to promote Cal and third-party products and services, and to introduce a loyalty program called "You" that offers cardholders the ability to earn benefits and discounts at partner retail and other establishments. Ravit stated, "In a three-page statement, the first page would be a personal letter which might wish me a happy birthday or convey other messages specific to me and my account; the second page would be the billing and would include Cal and partner offers; and the third page would be the "You" statement, which would include coupons and other offers."

The Sales Process

The sales cycle for this project was lengthy. Oniya Shapira worked with Cal for almost a year before the RFP was issued. "If you want to sell this idea to companies like Cal," declared Ravit, "you need to spend time with the marketing department. Purchasing and IT are not likely to be champions for this type of change."

Oniya Shapira's primary message to the Cal CMO was that this new application provides the ability to send a different message to each customer, and the samples initially designed for discussion reflected that approach. "We visited their Web site, looked at all of their advertising, and came up with a number of ideas that we pitched in a meeting with marketing. It is important to do this type of homework so that you can help your customers understand the offered platform."

After more than a year in the sales and RFP process, Oniya Shapira was awarded the contract in early 2007. By early 2008, Oniya Shapira was producing three to four million duplex color TransPromo pages per month for Cal. Ravit stated, "Cal decided to implement the new statements for all cardholders and not just limit the program to VIPs, which was our original recommendation. Cal expects the statements to increase customer loyalty and ROI and drive incremental revenue through increased sales of Cal products."

In addition, Oniya Shapira is earning industry recognition for its innovative TransPromo implementation with Cal, winning the Xplor International 2007 technology of the year award for the application.

Jordan of Chile: Bringing the Power of TransPromo to Latin America

Empresas Jordan S.A. began operations some 30 years ago and now employs nearly 700 people in Chile and Peru with an annual turnover of nearly US$60 million. The company began offering printing services in 1992 and added variable data services in 2001. Jordan is the largest producer of electronic printing in Chile.

Juan Pisano, the Commercial Manager of the company, points out that the company has been producing billing statements and promotional letters largely in black & white, but understands that full color represents the future. Jordan initially brought a color copier into the business to begin experimenting with full-color digital printing but was not satisfied with the quality of the output the machine produced. "We searched for an alternative solution," says Pisano, "and determined that HP Indigo offered the best price/performance in the market. After visiting HP's Israeli factory and its largest customer in Israel, we decided to move forward with the purchase of two HP Indigo 5500s." Pisano points out that talking with a customer who was operating in the same general business area was a very important part of the decision process for Jordan. "We wanted the real story from a customer," he says, "and after visiting Oniya Shapira in Israel, we knew HP Indigo could deliver to our needs." Jordan was also concerned about service and support. "The Indigo dealer in Chile already has a number of machines installed and a great reputation for technical support," adds Pisano. "That completed the picture for us and confirmed that HP Indigo was the right decision for us."

Pisano's plan was to leverage the HP Indigo to begin offering full-color digital printing services to Jordan's customers, and then to begin educating its customers in Chile and Peru about the benefits of TransPromo. "We have about 75% market share in Chile," says Pisano. "Our strategy was to begin with our premium customers, encouraging them to test full-color TransPromo statements with a small segment of their customers to determine a definitive return on investment for moving to this new communications platform." Pisano points out that color can be as much as ten times the price of black & white, and customers needed to feel confident that TransPromo would deliver results that justified that increased spend.

Selling Differently

Jordan quickly discovered that TransPromo would require a different sales process. Pisano says, "In the past, our primary contacts were managers in finance and production. With TransPromo, my new customer is the marketing professional. At the end of the day, they have the money to spend on these types of marketing programs. Although we have 75% market share, most of these professionals do not know us. Our task was to introduce ourselves and show the benefits of using TransPromo to these new contacts within our major accounts." Pisano points out that marketing professionals are able to look beyond the baseline cost of production to the true value TransPromo can bring. "The first reaction from a finance manager will generally be to say no to a program that involves incremental spend," he comments. "But a marketer will understand the value of increasing returns on their campaigns by triple digits."

Data Services

"The other thing we learned," adds Pisano, "is that while marketers felt fairly comfortable with the quality of their customer data, they had to battle for access to scarce IT resources for the programming support to leverage that data effectively. It benefits both Jordan and our customers if we offer a total solution, including data services, and that is exactly what we are doing." For Pisano and his customers, a total solution means not only managing the customer's database, but helping them to generate campaigns, track and report on results, and offering them the capability to deliver transactional and promotional documents via e-mail, cell phone and the web, in addition to print. "Print is only one of the arms of this body," he says. "I need to provide the other arm, the legs, the head, etc."

Early Results

Jordan has initiated test programs with one of the largest banks in Chile for its private banking business, as well as one of the largest supermarkets in Chile for its loyalty program. "With the supermarket," he says, "we are testing TransPromo with 25,000 of their one million plus customers. Early results indicate an increase in response rate from 0.4% with the previous process to 5.5% using full-color TransPromo, an outstanding achievement."

What's Next?

Next up for Jordan is an approach to the cellular phone companies, two of which are already Jordan customers. With more than 2.5 million cell phones in Chile, this promises to be a lucrative TransPromo opportunity.

Communisis: Leveraging Convergence as a Springboard for Growth

Communisis is one of the U.K.'s largest print and direct mail groups with a turnover in excess of £250 million and more than 2,000 employees. The company was founded some 200 years ago and has seen a number of transformations during its long life. Direct mail has been Communisis' focus for the past quarter of a century.

To stay on the leading edge of technology, Communisis recently added an HP Indigo 5500 digital six-color sheet-fed press to its Print and Direct Mail (PDM) operation in Leeds, and has just ordered a second. "We made a foray into digital five or six years ago," states Andrew Lydiatt, Business Manager for Digital. "We believed that the time was right to re-enter the market, and were looking for a strategic business partner, a company who would work with us to help develop the market rather than just a provider of a print engine."

Communisis found that partner in HP. "HP had the best understanding of what we were trying to do," Lydiatt observes. "Communisis as a business will be evolving over the next few years into offering document solutions. Although we will always be printers, we are placing more focus on the entire document life cycle and a good technology partner is critical to our success. We hope to take advantage of all of the technology HP has in its arsenal, over and above the HP Indigo press, as we move down that path."

With a customer base that includes large U.K.-based banks, Communisis planned to start by showing customers how digital printing could benefit them, running a single shift and testing various applications, with the ultimate goal expanding the range of business solutions it could offer to its direct mail and transactional printing customers. "Our hopes for a phased implementation were dashed," Lydiatt notes. "We have been bowled over with requests from our banking customers for digital printing work, and by the end of the first month the press was installed, we were running three shifts, had placed a second order for another HP Indigo, and can already see a third press on the horizon."

Lydiatt points out that most of the statement printing takes place in the company's Liverpool facility. "We see the convergence of our two businesses." he comments. "I view it as a marketing piece that includes transactional information, and my colleagues in Liverpool see a transactional document that includes marketing messages and offers. The investment in digital technology is the essential ingredient that will

enable us to take advantage of this convergence in the future." Over the next 12 months, Communisis will be increasing its investment to help customers converge the delivery of their transactional and marketing communications into a true transpromotional offering. Digitally printed output as well as other media channels will form part of this investment. Lydiatt points out that HP's announcement of the acquisition of Exstream Software was very interesting to Communisis, since Exstream Dialogue is one of the tools the company is considering for document composition. "With this acquisition," he says, "HP's technology portfolio is expanded even more."

With the capabilities provided by the HP Indigo, Communisis will be looking to develop new applications for its banking customers, as well as utility companies and food retailers that have loyalty programs. "We have over 40 people working in our data bureau and another 40 in our creative studio," Lydiatt points out. "That level of resources makes us uniquely qualified in this country to draw in TransPromo work, and to add more complex data-centric applications for these key customers."

As part of its ongoing customer relationship management program, Communisis is working with existing customers to educate them about the benefits of TransPromo. "We see it as our responsibility as a supplier to educate our customers about new technology and how it can be applied to make business more effective. We're happy to work with HP to make that happen."