

TransPromo Opportunities in a Digital World

Improving e-Customer Relationships
with Targeted Mobile Communications

WHITEPAPER:
COMMUNICATIONS



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2

ABSTRACT

THE CONCEPT OF TRANSPROMO—ADDING RELEVANT, PROMOTIONAL MESSAGES TO TRANSACTIONAL MAIL—HAS TAKEN A LEADING ROLE IN MARKETING TODAY. WHEN YOU ADD PERSONALIZED MARKETING CONTENT TO STATEMENTS, INVOICES AND NOTIFICATIONS, YOU CAN REDUCE COSTS AND INCREASE VALUE.

TRANSPROMO IS NOT, HOWEVER, JUST A PAPER PHENOMENON. THE IDEA OF USING TRANSACTIONAL EVENTS FOR PROMOTIONAL PURPOSES CAN BE APPLIED WHENEVER A BUSINESS COMMUNICATES WITH ITS CUSTOMERS. IN TODAY'S INCREASINGLY DIGITAL WORLD, THAT MEANS THAT E-OPPORTUNITIES ABOUND FOR TRANSPROMO MARKETING.

THIS WHITEPAPER TRACES THE EVOLUTION OF E-TRANSPROMO, DEMONSTRATING ITS INCREASINGLY IMPORTANT ROLE ACROSS NEW MEDIA INCLUDING:

- SELF-SERVICE WEB PORTALS
- ONLINE BANKING AND BILL CONSOLIDATORS
- CELL PHONE BILL PAY
- SECURE TRANSACTIONAL EMAIL

THIS PAPER ADDRESSES THE IMPORTANCE OF MANAGING THE E-CUSTOMER EXPERIENCE TO OPTIMIZE CROSS-SELL OPPORTUNITIES AND ENHANCE CUSTOMER RELATIONSHIPS BY IMPLEMENTING TRANSPROMO APPLICATIONS.

RARELY, IF EVER, HAVE MARKETERS HAD SUCH A CLEAR, CAPTIVE AUDIENCE

Web-Based Self-Service Portals Start the e-TransPromo Movement

In the 1990s, business efforts to reduce operational costs by shifting customers from paper to online statements and invoices brought about the introduction of web-based, self-care portal solutions. Today, these portals provide anytime, anywhere access to an array of transactional and promotional communications ranging from web-based customer self-service and electronic bill payment and presentment, to interactive messaging.

These self-care sites typically open with a welcome screen that directs visitors to a number of different options including, online storefronts, manuals, new products and plans. Visitors can also view transactional options such as bill pay, program enrollment, “my account” information and preference updates. These sites allow users to access information on the site without having an authorized user ID and password and offer enticements that drive new customer enrollment and cross-sell opportunities.

Rarely, if ever, have marketers had such a clear, captive audience. A wide range of businesses have effectively capitalized on this opportunity to communicate directly—and cost-effectively—with their customers. Authorized customers enter sites that are designed to accommodate users who return on a regular basis. While these sites offer many options, the clear driver for most customer visits is transactional—and the main purpose of the site is almost always customer retention and cross-sell.

Self-serve web portals have given marketers across industries a distinct advantage and they continue to draw a larger share of corporate marketing and advertising dollars. However, today a direct-biller web site with an adoption rate of just 10 percent is considered a success, and only a small percentage of direct-biller customers actually turn paper off. These sites continue to provide an outstanding cross-sell opportunity for those who visit them, but marketers need to look beyond them for additional e-TransPromo opportunities.

Online Banking Shifts Customers Away from Company Portals—Limiting TransPromo Opportunities

Surveys indicate that consumers want to pay their bills from one place and that place is typically their bank. Thus, not surprisingly, when banks started to offer free online bill-pay in the early 2000s, many of the customers that were pre-disposed to pay their bills online began to do so through their banks, rather than through a number of independent self-serve sites.

This created a significant issue for marketers as customers paying online through their banks experienced none of the online TransPromo messaging available through the billers’ sites. What is more, customers paying online often gave their paper invoices a more cursory glance since they no longer needed to separate out payment stubs and envelopes.

The Challenging Economics of Online Banking

Online banking and bill payment was first introduced as a potential cost-saving replacement for paper-based transactions. When banks began to offer free online banking and bill pay, the estimated annual cost per customer was \$40 to \$60, and as adoption of this payment channel grew, costs to the banks grew as well.

In early 2005, banks began to take a long, hard look at the return on investment generated through their home banking and payment offerings. They determined that that home banking, in and of itself, was not going to be a money maker.

Yet, despite the costs, they also realized that online bill-pay was important to their business. It increased account “stickiness” by making it difficult for customers to carry their transaction histories from bank to bank, and as a result, retention rates ran higher among online bill-pay customers than among those paying bills the paper-based way.

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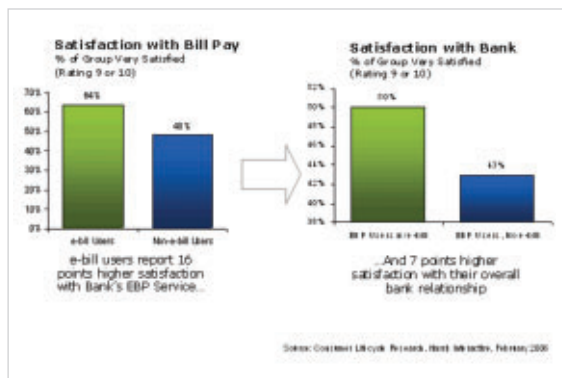
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4

A New Hybrid Revives Self-Service Sites

In 2005, realizing the true value of online banking with bill pay, the banks shifted their home-banking focus to customer retention and cross-sell, and they introduced new features and functions to entice customers to use presentment and payment along with other home-banking services.

This brought about a new option — e-billing. This was an important addition for banks, billers and their customers, it brought TransPromo opportunities back to bill-pay by enabling customers to access payer invoices—and websites—directly from online banking sites.



e-Bill Payment Features Boost Customer Satisfaction Significantly

With e-billing, banks benefit from customer appeal. Consumers like the idea of being able to view their bills from the banking site, and this increases the “stickiness” of banking relationships. In fact, when Harris polled online banking customers, they found that e-bill users were significantly more satisfied with both their bill-pay experiences—and with their bank relationships overall.

In addition, e-billing offers two important benefits for billers as well:

- Along with e-billing, billers offer incentives for paper turn-off. Thus, an increase in e-bill delivery can translate to a decrease in hard copy billing—resulting in savings on paper, production and postage.
- With e-billing, customers are once again regularly viewing their statements online through the billers’ websites—increasing traffic to these TransPromo goldmines.

NACHA Makes e-Billing Practical and Secure

Online banking and bill pay continue to be costly necessities for the banks, however, the National Association of Clearing Houses (NACHA) has helped to minimize the cost of e-billing.

The NACHA-sponsored Electronic Bill and Invoice Delivery System (EBIDS) application provides a secure delivery channel of summary billing data to the consumers’ home banking applications, through the interoperable, rules-based, secure automated clearinghouse (ACH) network.

Additionally, from the home banking application, customers can view the entire bill at the biller’s web site. EBIDS creates a one-stop environment with access from one secure and trusted partner that is accepted by the participating billers. There is no need for customers to have to manage multiple user-IDs and multiple passwords.

The positive overall effect of the EBIDS application for banks and billers is impressive:

- **Lower operational costs for billers:** The cost of bill production is dramatically decreased as more customers accept paperless banking communications
- **Increased enrollment in biller-direct sites:** Customers need to enroll at biller-direct web sites to gain full access to biller-site services through their banks
- **Incentive for banks to encourage e-billing:** Billers pay the banks directly for presenting their bills through ACH, and the banks, in turn, promote e-billing to increase this revenue stream

MARKETERS INVOLVED IN TOOL DEVELOPMENT CAN ALREADY CREATE VEHICLES THAT INCLUDE TRANSPROMO MESSAGING AS THEY SUPPORT CELL-PHONE TRANSACTIONS

Secure Email Creates Another TransPromo Channel

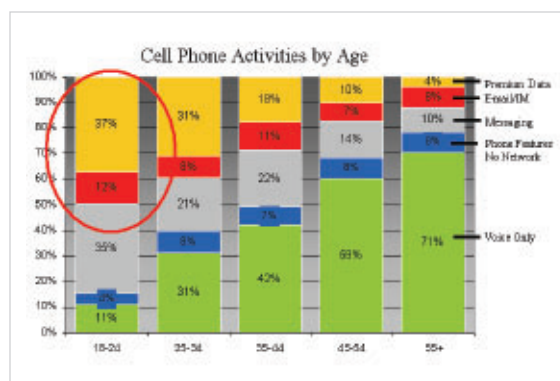
Email billing delivery had been a “hot application” in the early 2000s. Back then, more than 70 percent of people polled stated it was their preferred method of bill delivery. However, security issues, lack of an open technology and the introduction of free bill-pay through the banks put email billing on the back burner. Only now are there versions of secure email that are truly as secure as the safest bank site, driving growth in acceptance of secure email as a viable banking alternative.

Unfortunately for marketers, the secure email format has no hotlinks, no attachments and no downloads. This channel bypasses the biller sites. Marketers have to find ways to incorporate TransPromo messaging within the secure email billing format. Some of the ways that this can be done include:

- Adding TransPromo messaging into the encrypted email bill
- Driving customers to pay through sites that include TransPromo messaging
- Incorporating TransPromo messaging in the content of customers’ payment receipts

Beyond the PC: New Cell-Phone Applications

Perhaps the most promising initiative in the home banking world today revolves around the use of cell phones for banking. With the use of cell phone technology for functions other than voice rapidly expanding, cell phones can provide 24-hour access from anywhere, and they enable immediate response to marketing campaigns through messaging or MMX™¹ cell-phone messages.



A Jupiter Research Study Indicates the Clear Age Gap in the Use of Cell Phones for Other than Voice

In fact, according to a Jupiter Research study, a definite age gap exists in the use of cell phones for other than voice, and as younger generations come of age, we see a much larger adoption rate of other cell-phone features.

These findings, coupled with the fact that cell-phone access is often less expensive and easier to come by than high-speed Internet, bodes well for growth in bill pay and real-time marketing opportunities through cell-phones. Tools are being put into place to capture this growing channel, and marketers involved in tool development can already create vehicles that include TransPromo messaging as they support cell-phone transactions.

Short Messaging Service (SMS) Messaging Adds to Cell-Phone Options

SMS is the transmission of short text messages to and from a mobile phone, fax machine and/or IP address. Messages must be no longer than 160 alpha-numeric characters and contain no images or graphics.

For those seeking TransPromo opportunities, these short text messages may be able to make up for these content limitations in sheer volume.

TransPromo Opportunities in a Digital World

Improving e-Customer Relationships with Targeted Mobile Communications

6

There are 124 million households using SMS, and according to Celent's April 2007 survey,² 74 percent of respondents use SMS occasionally to very frequently, 22 percent have done web browsing and 20 percent download an application at least occasionally.

The banking industry is already offering SMS financial data delivery to address new government mandates for real-time alerts regarding overdraft fees for consumers with zero balances, and offering features designed specifically for mobile devices and today's mobile users.

SMS delivery can strengthen the biller-customer relationship. Most cell-phone subscribers are conversant in text messaging and understand the technology, thus greatly reducing any barriers to adoption.

Balancing Today's Digital Marketing Challenges

Free bill pay through online banking initially depleted billers' TransPromo opportunities, and now secure email, SMS messaging and mobile web pose a similar risk.

For example, a credit card company recently implemented secure email, SMS messaging and mobile web for its customers:

On the one hand, the company benefited from an excellent adoption rate and in the process was able to improve its bottom line by close to \$1M annually through paper suppression and new bill-pay customers.

On the other hand, the company sacrificed major cross-sell opportunities because of the messaging restrictions these channels imposed (low character count, no attachments, no graphics).

When company management weighed the resulting trade-off, they determined that—like online bill pay—without a way to incorporate TransPromo, these channels were a necessary evil—important for customer retention, but ultimately not beneficial for the bottom line.

To change that balance, they needed a way to capitalize on the time customers interacted with these new media and create a set of marketing tools that would incorporate TransPromo cross-sell messaging in these formats.

The ideal solution would be driven by message logic transposed from that used for existing marketing systems, ensuring consistency and avoiding redundancy. TransPromo marketing could then be the driving force for all delivery channels.

Possibilities included:

- Following up each customer “e” action with a pro-active promotional message
- Incorporating database-driven promotional messaging in the message content
- Connecting e-messaging back to the existing biller portal
- Reinforcing similar messaging across all channels
- Changing with the times—and capturing e-TransPromo opportunities as they arise

The TransPromo marketing approach provides an opportunity to embed and blend marketing messages with must-read transaction statements, invoices, confirmations, benefits explanations and other notifications. And, as “e”-world options continue to evolve, so too will TransPromo marketing opportunities.

Pitney Bowes Business Insight can help smart marketers keep abreast of new developments in channels and technology, evolve their approach to TransPromo, and capitalize on the opportunities that innovations can provide. Our customer communication management and location intelligence solutions provide the software, data and services you need to:

- Gain insight to better understand customer needs for more effective target marketing
- Embed personalized messages in communications
- Manage and distribute these communications across multiple channels for the most positive impact

TO LEARN HOW YOU CAN CREATE A TRANSPROMO EXPERIENCE ACROSS TODAY'S EMERGING DIGITAL CHANNELS, CONTACT PITNEY BOWES BUSINESS INSIGHT AT 1.800.327.8627 OR VISIT WWW.PBINSIGHT.COM.

FOR MORE INFORMATION, VISIT GOTO.PBINSIGHT.COM/COMMSTRANSPROMO OR CONTACT US AT 1.800.327.8627 TODAY.

REFERENCES

1. MMX is a single-instruction, multiple-data instruction set designed by Intel®.
2. Celent, "U.S. Mobile Banking: Beyond the Buzz," May 2007.

THE POWER OF TRANSPROMO

7

With growing competition and customer acquisition costs, your enterprise needs to leverage the power of its data and customer communications, such as monthly bills, like never before.

That is where TransPromo solutions come in. TransPromo solutions add highly relevant, personalized, eye-catching marketing messages to your communications—for the best possible customer response.

Embedding this type of marketing content directly in statements, invoices and notifications, while reducing the need to include loose paper inserts, helps your company minimize costs, while increasing value, by:

- Enabling smaller carbon footprints and higher throughput for your mail piece inserting equipment
- Optimizing valuable real estate on customer statements, while keeping mailing costs in check
- Reducing your cost per response, while increasing customer loyalty and retention

E-TRANSPROMO FOR AN ONLINE WORLD

The concept of using transactional events for promotional purposes can be applied whenever a business communicates with its customers. In today's increasingly digital world, e-opportunities abound for TransPromo marketing as well.

ENHANCE YOUR STATEMENTS WITH TRANSPROMO TODAY

As a market leader in TransPromo applications, Pitney Bowes Business Insight customer communication management and location intelligence solutions can help you:

- Truly understand the background and purchasing habits of existing and potential customers through consumer segmentation, census-based demographic data and our business demographic data with the aid of effective analysis tools
- Dynamically create, add and update TransPromo messages—with sophisticated white space management—on a daily, weekly or monthly basis, without having to retest core applications
- Create and manage high-volume physical and digital documents
- Set up different email and SMS content for different customers quickly and easily



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