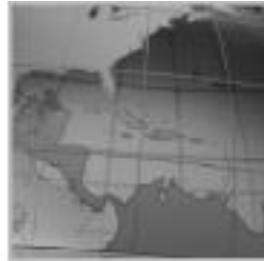


Analysis



Business Development Services



Changing Output to Outcome: The TransPromo Opportunity

Prepared for Konica Minolta

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Executive Summary

For outsourcing service bureaus and in-house corporate reprographic departments (CRDs), the transaction document services market is full of opportunity. Transaction documents—which include bills, statements, and other critical customer communications—are largely viewed as a cost of doing business. It has traditionally been the responsibility of the operations department to ingest the customer data, compose a print-ready file that includes the necessary information, and get the document printed. Many small and medium-sized businesses (SMBs) produce bills, statements, and invoices themselves, but need help modernising these documents to keep pace with an evolving communications world. For commercial printers and CRDs, there are opportunities to develop transactional print services for larger SMBs, as well as smaller enterprises (i.e., 500 to 2,000 employees). While entering the transactional space may seem daunting, many recent developments in technology—such as the emergence of PDF/VT—have made it easier to go after this market. What’s more, once you establish your proficiency in transaction document printing, there are unique opportunities to create even more revenue streams by evolving the way your customers view these documents.

Here is something to consider—bills and statements are opened more than any other document received through postal mail, and consumers spend between 2 and 5 minutes reading and reviewing them! Why is it, then, that marketers continue to focus on standalone commercial direct mail to communicate with customers? Inserts have long been included in transaction document envelopes, but does anyone really read inserts? They are a tired approach to advertising, and many customers simply throw inserts away without even glancing at them. Meanwhile, another approach has been gaining ground in recent years—“TransPromo” or “onserts.” With this approach, mailers place a message where it cannot be ignored—on the face of a document alongside transactional content. TransPromo strategies satisfy two major objectives that are important to executives: limiting expenses and maximising profits.

In a competitive market and fast-changing economy, TransPromo has immediate benefits in two areas:

1. **Operations:** It reduces costs (printing and postage) by combining commercial and transactional messaging into one document.
2. **Marketing:** It adds revenue-generating opportunities through cross-selling and up-selling, while also transforming operational costs into revenue.

For billers, the message is clear—TransPromo delivers return on investment for operations as well as marketing. For commercial print shops or CRDs, TransPromo also opens up added value revenue beyond merely providing transaction document services as a new offering.

New Revenue Streams via Transaction Documents

Background

Transaction documents are critical documents in a business-customer relationship. They include both fixed and variable data, are usually created by a company's financial software platform, and can be delivered to customers via postal mail or electronically. Major types of transaction documents include bills, statements, notices, compliance messaging, insurance materials, and any other critical correspondence between businesses and customers.

Compared to non-transaction documents produced by general commercial printers, transaction documents require more data processing and have more stringent regulatory/compliance guidelines. They also have to be carefully monitored and tracked to ensure that the right document is sent to the right customer with 100% deliverability. While this may seem like a lot of extra

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operations and oversight to take on, consider that promotional documents have their own demanding requirements—they need to be preflighted, colour-corrected, and imposed. These needs can be met with a broad range of available software solutions, and the same holds true for transaction document requirements. Now that commercial printers have added transactional services, several software providers have developed easy-to-use transactional solutions aimed at lower-volume environments.

The transactional document services world is changing rapidly as result of three converging trends:

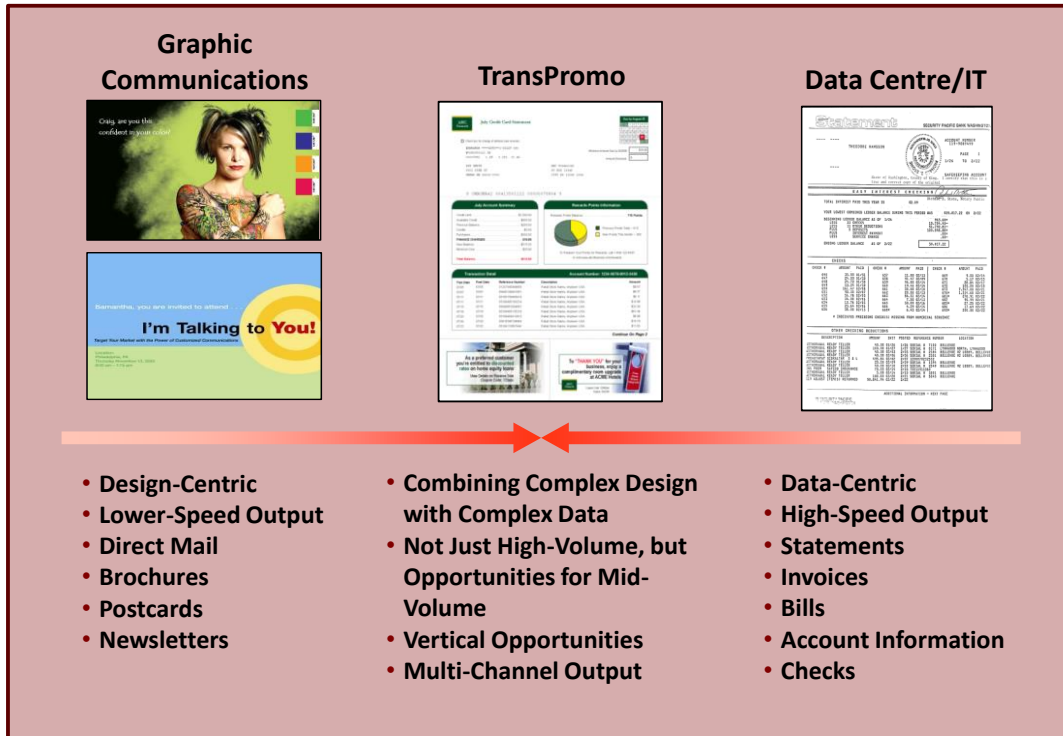
- 1) **The decreased cost of colour printing.** The cost of colour printing has decreased substantially in recent years, generating a shift from monochrome to colour printing. Designing bills and statements in colour makes the documents easier to read and improves the customer's experience with the company.
- 2) **Rapid changes in the communications landscape.** The way companies communicate with their customers has changed drastically thanks to mobile devices, digital content, and social media. Businesses must invest in data-driven, personalised, multi-channel communications to stay relevant and meet the needs of today's consumers.
- 3) **The shadow of the economy.** The shadow of the Great Recession and a declining print market have accelerated the interest in re-evaluating transactional documents to make them more cost-effective while also enhancing value. TransPromo has been an important tactic in that process along with Electronic Bill Presentment & Payment (EBPP). Mailers are seeking solutions that can reduce costs in the current economy while also improving long-term customer communications.

Transaction documents are high-value communications that are expected and delivered on a regular basis and reach an audience you already know a lot about—your customers! Businesses should optimise the design and messaging of their transactional communications with the same strategic planning they put into direct mail and other marketing communications. Transaction documents are read and reviewed

more than any other document received by postal mail, and they are often your most frequent means of connecting with a customer.

If you are like most commercial printers and CRDs, you probably haven't yet taken full advantage of the TransPromo opportunity—but savvy businesses are recognising its high value as a communications channel. They are adding colour and redesigning documents to maximise the TransPromo value. As illustrated in the Figure below, TransPromo is the convergence of **transactional** and **promotional** content within a single document.

Figure 1: Trans Meets Promo – Two Worlds Come Together



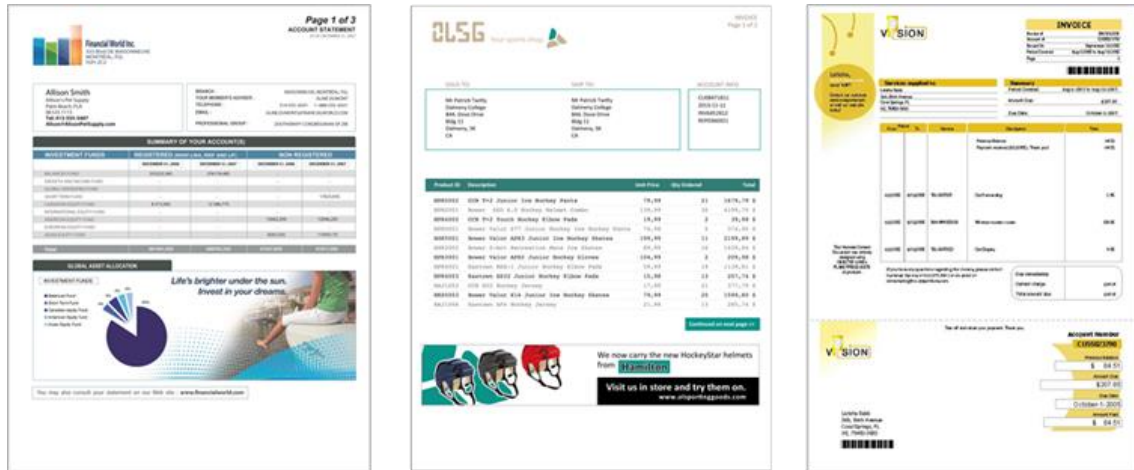
As discussed earlier, transactional documents are traditionally data-centric communications with a limited focus on design or messaging. Promotional mail, on the other hand, is typically designed to sell something (e.g., a product, service, or cause) or to strengthen customer loyalty. Promotional documents are marketing-focused and design-centric, and are generally created by marketing and design teams rather than IT. Promotions tend to have superior design quality, with printers leveraging colour more often for promotional printing than they do for transactional printing. With TransPromo, printers have an opportunity to shift transactional documents from being just black & white and data-driven, giving them a more consumer-friendly approach that integrates marketing communications data and material. This is an exciting opportunity for printers with digital printing capabilities to consolidate two channels and meet objectives for marketing and business operations alike.

Key Opportunity: TransPromo

As noted earlier, TransPromo refers to the placement of personalised promotional or other marketing communications on transactional documents, often customised in relation to the transactional content of the documents. For instance, a credit card company might promote specific travel destinations based on data from a customer’s travel history. TransPromo messaging can also be educational. Utility providers, for example, are interested educating customers about ways to reduce energy consumption, and they might also have an opportunity to cross-sell energy-efficient appliances. The Figure below provides some fictitious¹ examples of what actual TransPromo output could look like. By using targeted colour, images, and non-transactional messaging, these documents serve as valuable sales/marketing materials while also making the transactional information easier to read. The documents are eye-catching in both print and electronic forms.

TransPromo refers to the placement of personalised promotional or other marketing communications on transactional documents, often customised in relation to the transactional content of the documents.

Figure 2: TransPromo Examples



Source: Objectif Lune 2015

¹ Many brands are unwilling to publicly share their statements due to competition or privacy considerations, but these fictitious examples closely reflect real-world applications.

TransPromo Logic

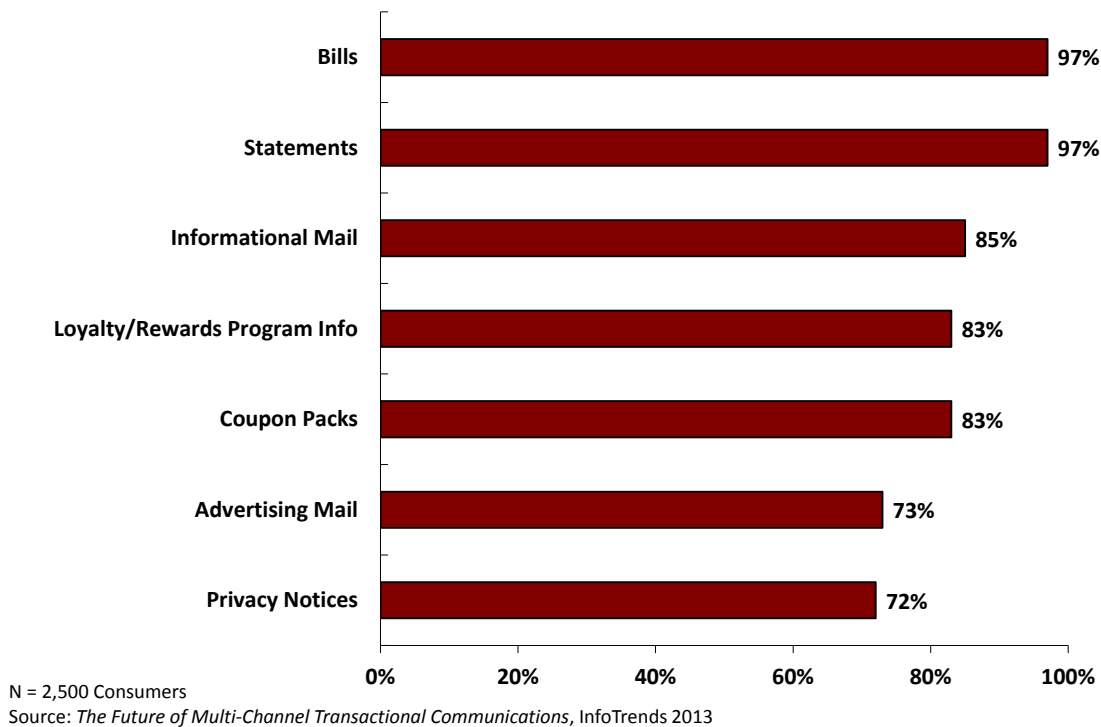
The logic behind TransPromo document design is simple enough for any business to implement:

- Start with what you know about a customer and identify promotional, educational, or other messaging that is relevant to that individual profile.
- Maximise the use of existing white space on transactional documents, or redesign documents as appropriate to accommodate new messaging.
- Take advantage of cost-effective colour printing to increase potential return.
- Apply TransPromo messaging strategy to print documents as well as documents that are delivered electronically, which have increased in recent years and present unique opportunities.
- If you have opt-in permission from your customers, sell statement white space to partners or other affiliates to turn a cost centre into a profit centre.
- Reduce overall costs by eliminating all or some direct mail activity directed at existing customers, and replace it with transactional document TransPromo.

TransPromo Benefits

A key benefit of using bills and statements for promotional messaging is that these documents are actually opened and read! As illustrated in the Figure below, customers open almost all bills and statements, which makes them valuable “real estate” for marketing communications. TransPromo helps ensure that promotional messaging is noticed, read, and acted on.

Figure 3: Mail Open Rates



In addition to its unmatched ability to draw customer attention, TransPromo contributes a wide range of operational and marketing benefits. It can lower operational costs by reducing the need for separate direct mail campaigns to existing customers. By redesigning documents and delivering them in colour, the mailings are also easier to read and comprehend, leading to lower call centre volume for customer service issues.

Figure 4: TransPromo Has Operational and Marketing Benefits

Operational Benefits



1. Postal cost reduction

By putting marketing messages on statements, there is less need to send separate direct mail



2. Improve cash flow

TransPromo enables organisations to spend less on additional advertising



3. Reduce call centre volume

Providing statements in colour makes them easier to read and comprehend.

Marketing Benefits



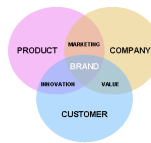
1. Better customer relationships

Customers appreciate when businesses understand them and send relevant messages



2. Drives new revenue streams

Targeted marketing messages enable organisations to upsell and cross-sell more



3. Re-enforces the brand

Vibrant, state-of-the-art statements have a positive effect on brand value

TransPromo documents represent tremendous value to marketers:

- They can increase customer loyalty and enhance customer relationships by incorporating relevant messaging alongside transactional information.
- They can generate new revenue streams through up-selling, cross-selling, and customer retention messaging.
- They can reinforce brand image and project leading-edge thinking by delivering vibrant, full-colour statements to customers via their channel of choice.

Where Are We Going?

The transactional space is a world of opportunities. TransPromo is “low-hanging fruit,” but there is much more that companies can do. Some other areas that may deserve exploration include:

- **Archiving:** When putting personalised promotional messages on statements, companies often need to archive those statements and make them easily retrievable in case a customer calls with questions on the specific promotion.
- **Electronic Bill Presentment & Payment:** The interest in electronic invoicing and payment is growing, especially in the B2B world. Developments such as Adobe’s EchoSign enable companies to electronically sign PDF invoices and make it easier to do business electronically.
- **Statement Redesign:** Statement redesign, including TransPromo, is a great way of showing your graphic arts expertise. Many companies are struggling to make their invoices look visually attractive.
- **Optimising the customer experience:** Data analytics can be leveraged to learn about customer behaviours, and apply more relevant personalisation to optimise the customer’s experience with the organisation.

The statement, invoice, bill, or notification is a customer touchpoint. This experience, as perceived by the only legitimate judges—your customers—is the sum of all their interactions with your company. The key is not how many touchpoints you have, but how well these touchpoints are used to build closer relationships with customers. Before you look for new touchpoints, optimise the ones you already have. Transaction documents are the best place to start because they are delivered on a regular basis, plus consumers expect them and actually read them. TransPromo is just the first step in what will hopefully become a wider strategy to add new value to customer communications.

The key is not how many touchpoints you have, but how well these touchpoints are used to build closer relationships with customers.

Once your company starts adding value and seeing results with TransPromo, you will identify other opportunities to improve the customer experience, such as data analytics or multi-channel output. Keep in mind that all businesses, regardless of size, have to adapt to the changing landscape of customer communications. Large enterprises have unlimited internal resources, while smaller organisations are more limited when it comes to capabilities, resources, and time. This presents a tremendous opportunity for smart commercial printers and CRDs to help smaller organisations optimise their communications, and maybe even outsource operations for large enterprises and make them more cost-effective.

What is the Opportunity?

Target Markets

When moving into the transactional document services market, there are four initial strategies you should consider.

Serve SMBs or Small Enterprises

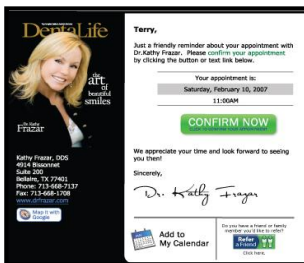
Small and medium-sized businesses (fewer than 250 employees) and small enterprises (fewer than 2,000 employees) are an exciting market opportunity for transactional printing and TransPromo because they typically produce invoices themselves using standard accounting software. These organisations are not likely to invest in their own advanced document composition technology, but the lure of TransPromo messaging may incite them to outsource print production to a provider who has already made this investment.

Offer a Vertical Strategy

Document strategies differ by vertical. For instance, the airline industry has seen great success by selling white space on home-printed boarding passes. Utility providers use white space to educate their customers with energy or water savings tips, while healthcare providers may use TransPromo to inform their customers of legislative changes. Intuit DemandForce is a U.S.-based company that has developed many vertical offerings, including a dentist notification system that helps dentists schedule appointments, send reminders, and enable upselling. A smart market approach is to build a strong offering for certain industries and tailor sales efforts around winning that business.

Figure 5: TransPromo Vertical Examples

Dentist Notification



Source: Intuit DemandForce

Intuit DemandForce is a U.S.-based company that specialises in offering print strategies by vertical. The example here shows marketing on a dentist appointment notice.

Airline / Boarding Pass



Source: dmnews.com

Most airline passengers will have noticed that airlines put advertisements on boarding passes printed at home after online check-in. This example shows how Porsche promotes cars on American Airlines and Delta Airlines boarding passes.

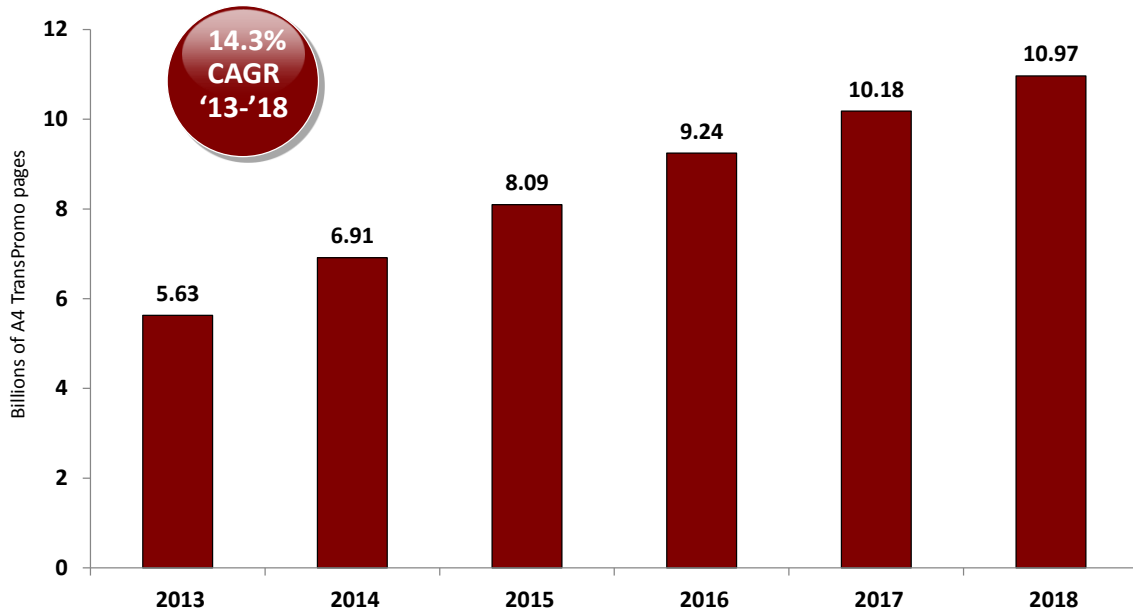
Provide Auxiliary Services

Offer your toner-based, cut-sheet capacity as supplemental capacity to transactional service bureaus so they can absorb peak demand or have a way to effectively manage reprints. Most service bureaus and internal data centres produce statements in very tight production windows to maximise their customers' cash flows. They might be seeking outside support when things go wrong or if they have reached their maximum capacity.

Future Outlook

InfoTrends has been following the transactional market for a number of years and is very optimistic about the future opportunities. While overall print volume has been declining (displaced by electronic communications), we expect TransPromo to continue growing since it serves as a way to add value to print and drive business for print & mail operations. According to InfoTrends' research, overall TransPromo page volume in Western Europe is expected to grow significantly between 2013 and 2018.

Figure 6: TransPromo Page Volume Growth in Western Europe



With the rise of new inkjet and toner technologies, the cost of colour print is expected to come down even further. Software solutions that enable TransPromo communications are becoming easier to use, and with the rise of cloud computing, they will become available in the near future as rented software. Getting started with TransPromo does not require significant investments!

Key Drivers for Success

To successfully serve transactional mailers, there are a number of factors to consider that may differ somewhat from those the promotional space:

1. Recognise that transactional documents need to be seen as part of a wider customer communications strategy. This means understanding the company that is sending transactional documents, its customers, methods of communication, and how that company can benefit from your services.
2. Engage executive resources at the highest possible level within the organisation. An executive sponsor who understands the vision and ultimate value of transactional messaging can be invaluable in getting disparate resources on-board and collaborating.
3. For TransPromo (as with any effort in marketing communications), be sure to specify clear business objectives. The metrics you establish should enable companies to accurately and effectively measure success.
4. Test, test, test! Start small with test marketing to demonstrate the value of the approach *and* test specific messaging. This is simply good marketing practice and should be applied to transactional messaging as well the wider customer communications strategy.
5. Consider using “stealth personalisation” for sensitive communications that might otherwise seem intrusive. For example, in a healthcare scenario, you could refer to an article in an enclosed newsletter that discusses a disease or condition that the recipient has, rather than specifically naming the recipient’s disease or condition. Also, be sure to comply with any privacy regulations (e.g., HIPAA).

Why Invest?

While entering the transactional space may seem daunting, many recent technological developments have made it easier to go after this market. What’s more, once you establish your proficiency in transaction document printing, there are unique opportunities to create even more revenue streams by evolving the way your customers view these documents. Regardless of overall communication volumes, high growth is expected in the TransPromo market.

Regardless of overall communication volumes, the TransPromo market is expected to show strong growth.

TransPromo provides a clear revenue opportunity for print service providers. Commercial printers that have mastered variable data printing and have an understanding of the transactional printing business model can do well in the TransPromo market. So ask yourself—why not invest in TransPromo? Just remember the following points:

- It is important to optimise all communication channels, including transaction documents.
- Consumers spend 3-4 minutes reviewing each bill or statement that they receive.
- The cost of colour printing has decreased substantially.
- In the shadow of the Great Recession and a declining print market, businesses are seeking ways to become more efficient with their spending.

- TransPromo is a strategy that optimises customer communications and drives operational efficiencies, meeting marketing and business objectives!
- TransPromo opportunities can be found within SMBs, vertical markets, auxiliary services, and loyalty programs.

With a transaction document, businesses have a regular opportunity communicate with their customers—are you helping those businesses (your clients) make the most of their opportunity?

How to Get Started: Planning for Success

In today's economy, businesses need strategies for cutting costs and generating revenue—and this is exactly what TransPromo does!

For companies that have just entered the transaction document services market and those that are ready to expand into TransPromo communications, here are some thoughts on what it takes to get started.

- **Vision and leadership are paramount.** TransPromo requires strong vision and leadership from the top. For print service providers, it is important to find an executive champion and get this person actively involved in the process.
- **Don't be afraid to depart from the status quo.** Be willing to look at go-to-market strategies differently. Selling TransPromo often requires a new approach from companies. For print service providers, it's important to understand that marketing is crucial in this decision and will require a different talk track than operations and procurement.
- **Focus on organisational collaboration.** Because the successful launch of TransPromo communications requires a diversity of stakeholders, print service providers must help bring all of the key personnel to the table to collaborate on the initiative. This becomes much easier with an executive champion.
- **Use existing data effectively.** Effective TransPromo requires customer insight from data mining to ensure that the messaging is timely and relevant. While most companies prefer to track this themselves, print service providers can offer their expertise too. The goal is to garner customer mindshare and wallet share through a relevant communication and offer strategy.
- **Always measure for continual improvement.** TransPromo messaging is an iterative process; every time a customer interacts with the company, this information should be logged and analysed so that future interactions benefit from continual improvement.

InfoTrends' Opinion

The timing has never been better for entering the transaction document services market and expanding into TransPromo communications. In today's world, businesses need strategies for cutting costs and generating revenue—which is exactly what TransPromo does. It reduces operational costs and drives new business through cross-selling and up-selling, and transforms operational costs into revenue. While high-volume transaction document services companies have already embraced TransPromo, there remains a significant opportunity for commercial printers and CRDs to go after SMBs and small enterprises. Review your business goals and assess the opportunity to add transactional and TransPromo capabilities to your own services—or those of your clients!

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