

hp digital publishing solutions
white paper

workflow

new

the



the marketing ROI imperative

how digital publishing technologies boost
marketing performance and productivity

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introduction

“Business has only two basic functions: marketing and innovation. Marketing and innovation produce results. All the rest are costs.”
Peter F. Drucker

Today’s marketing professionals face a daunting list of challenges. They must reach a society bombarded with sales pitches. They must weed through a growing array of sophisticated marketing technologies that promise much-improved results, but often at a significant cost. And they must prove to management that their marketing efforts are producing reasonable financial returns. This White Paper will offer insight to these problems and present case studies of companies that have adapted different solutions to improve their business model.

In Part 1, we will discuss the challenges facing companies to generate an acceptable return on investment for their marketing dollars. This ever present challenge needs to be addressed in every organization for them to be successful. We will then address the increasing utilization of customer relationship management (CRM) technologies to enhance the effectiveness and efficiency of a company’s marketing activities.

In Part 2, we will look specifically at direct mail marketing and discuss the vital role it plays in the marketing mix of many companies. We will examine its strengths and weaknesses, and use real-world case studies to demonstrate how digital publishing technologies can dramatically increase its effectiveness.

Part 3 will focus on the creation, production, and distribution of printed marketing collateral. We’ll explain the inherent inefficiencies of traditional processes and, through compelling case studies, describe how digital publishing technologies can overcome these.

Part 4 will provide a more detailed understanding of the workflow process associated with producing effective direct mail and e-mail campaigns. We will also layout the process for efficient creation marketing collateral.

HP is one of the pioneers in the field of digital-publishing technologies and we hope you find this information helpful in improving your business model.

part 1: the challenges

Marketing is critical to the survival and growth of any business, but it is more than just persuading a customer to buy. One of the most quoted descriptions of marketing is some variant of the following: *The purpose of marketing is to provide the “right” product or service at the “right” price to the “right” customer through the “right” distribution channel supported by the “right” level of promotional activities.* And with the ever-increasing intensity of business competition and the need to effectively differentiate in a crowded marketplace, marketing has become even more important. But as marketing has grown in importance, so have the challenges. One of the biggest challenges is simply capturing the attention of customers and prospects. Even the most persuasive marketing piece can be lost in the sheer volume of such communications.

All marketing professionals must approach, “... every new campaign, every new promotion and every product as an investment that has to pay a return.” Sergio Zyman, the former chief marketing officer of The Coca-Cola Company

In his best-selling book, *Permission Marketing*, Seth Godin argues that most traditional advertising has become largely ineffective because of the exploding volume of messages competing for the attention of consumers and business decision-makers. Godin says this growing deluge of “clutter” makes it nearly impossible for marketers to gain the attention of prospective purchasers even for a few moments. Ironically, the more successful a specific marketing technique becomes, the more it is copied and the more clutter it engenders, causing even the most effective marketing techniques to lose their edge fairly quickly. On top of this, there is growing pressure from CEOs and senior management to prove that marketing activities are producing reasonable and measurable returns.

In a recent survey by the Patrick Marketing Group, 97 percent of the executives surveyed indicated that the most significant marketing related challenge they face is creating sales and generating ROI. This growing emphasis on ROI can be attributed to three factors. First, advances in information technology have made it possible to more accurately measure the costs and benefits associated with specific marketing activities. Not long ago, people believed it was difficult, if not impossible, to measure marketing productivity. Today, corporate executives can obtain accurate and detailed information on the performance of their company’s marketing activities.

The second factor generating focus on ROI is heightened competition. Today’s companies must constantly improve every aspect of their operations in order to deliver increasing value to shareholders, and even more so when the overall economic environment is difficult, as it is today. Under these circumstances, it’s not surprising corporate executives are insisting that marketing efforts produce measurable benefits.

Lastly, marketing ROI has gained importance because of the investments many companies have made in customer relationship management (CRM) technologies. The explosive growth of CRM spending has been well documented in the business press, and, despite the capital spending drought of the past several months, Forrester Research predicts the CRM market—and particularly automation applications—will continue to experience significant growth.

- *CRM market compound annual growth rate 11.5% (2002–2007)*
- *marketing automation segment annual growth rate 14.5% (2002–2004) with growth expanding to 17% per year (2004–2007)*

But a 2001 survey of senior executives by Bain & Company found that one in every five CRM users reported that their CRM initiatives not only had failed to enhance revenue growth, but also had actually harmed long term customer relationships. In the face of these failures, there is tremendous pressure to use CRM technologies wisely and to improve marketing ROI.

Corporate marketing professionals and CEOs alike recognize the need to improve marketing ROI. To do so, they must improve marketing productivity. How? In the May 2002 issue of the *Journal of Business Research*, J.N. Sheth and R.S. Sisodia argue that marketing productivity is a measure that compares the value of marketing results with the costs that were incurred to produce those results. So to improve productivity, one must increase both the effectiveness of marketing efforts and the efficiency of marketing spending.

Standing apart from the marketing clutter and improving marketing ROI are both vital issues in the creation and distribution of two marketing tools, in particular: direct mail marketing and marketing collateral materials. In Parts 2 and 3, we will discuss how digital publishing technologies can improve the effectiveness and efficiency of both of these marketing techniques.

part 2: improving the effectiveness of direct mail

Direct marketing has long been an important part of the marketing mix of many companies, with direct mail, e-mail and telemarketing, or direct response TV and radio advertising. During the 1990s, companies moved more resources into direct marketing, and according to a recent survey by DIRECT, companies today allocate an average of 38 percent of their corporate marketing budgets to direct marketing. Why? Because direct marketing produces bottom-line results. The Direct Marketing Association (DMA) estimates direct marketing sales will surpass \$2 trillion this year. Results like this mean that, even in a down economy, companies will invest in it.

In most companies, direct mail spending accounts for the largest portion of the direct marketing budget, although the use of e-mail is growing rapidly, primarily because it is less expensive to produce and send—\$0.50 for direct mail vs. \$0.05 for an e-mail message, according to the latest DMA Statistical Fact Book. There are, however, several reasons why direct mail will remain an important tool. First, many companies do not yet have enough of their customers' e-mail addresses, and list brokers are only now beginning to offer quality e-mail lists with sufficient information for targeting and segmentation. Second, e-mail addresses change much more frequently than postal mail address, making it more difficult to keep information current, and potentially causing some customer relationships to be lost. Third, e-mail is good for customer retention and cross-selling to existing customers, but it is less effective as a customer acquisition tool because of the difficulty of obtaining e-mail addresses. Fourth, companies will use direct mail to stand apart from the growing volume of unsolicited e-mail ("spam"). And finally, direct mail will continue to be used extensively because it will be the preferred communication channel for the target audience.

So direct mail will continue to be a valuable tool in years to come, but it clearly has its weaknesses. One is its cost disadvantage compared to e-mail. Plus, despite vastly improved market segmentation and predictive-modeling capabilities, response rates still hover in the

According to the DMA, marketers are projected to spend \$193 billion on direct response advertising this year, and direct response ad spending is forecast to grow at a compound annual rate of 5.8 percent during the next five years.

range of 1 to 3 percent. And, there is growing evidence that many companies are enduring response rates of less than 1 percent.

Personalized direct mail
and website programs
provide the best
response rates.

The good news is that a growing number of companies have found a way to substantially improve the effectiveness of direct mail. The key has been the use of personalization and digital publishing technologies in combination with CRM capabilities. The value of personalized direct mail, using information acquired through CRM technologies, has been recognized for some time, but many companies simply haven't had the data to effectively personalize documents. As the use of CRM strategies continues to spread, more companies will have the data needed to create effective, personalized, direct mail documents.

For the past three years, PODi (print on demand initiative), has evaluated projects that use personalized print and digital publishing technologies. The following two case studies are from PODi's "2001 Best Practices in Digital Print" and we have also provided you an in-house look at our utilization of a combination of a personalized direct mail and website program to improve our ROI.

- Pacific Northwest Bank (PNB) – PNB is a regional commercial bank that recently acquired several community banks and needed to communicate account information to the customers of the acquired banks. PNB knew it was essential to begin building trust with these "new" customers by making the transition as smooth and painless as possible. Previously, in these situations, PNB had mailed customers a large booklet that outlined all changes in products and brands. Much of this information, however, was not relevant to any given recipient. This time, PNB designed a personalized, full-color booklet specific to each individual customer's accounts, terms and conditions. The content of each booklet was customized based on the banking relationship between the bank and that recipient. Typically, an acquiring bank will lose between 15 and 20 percent of the acquired bank's customers during a conversion process, but with the personalized booklets, PNB suffered no noticeable loss of customers. PNB estimates that the additional cost of the personalized booklets was approximately \$250,000, but because of the increased customer retention, PNB expects to generate annual savings of between \$3 million and \$6 million.
- Carlson Companies, Inc. (Carlson) – Carlson is a global leader in the marketing, travel and hospitality industries, with such well known brands as Radisson® Hotels & Resorts, Country Inn and Suites by Carlson® and T.G.I. Friday's® restaurants. Gold Points is a consumer loyalty/rewards program operated by a Carlson subsidiary, and Carlson wanted to migrate existing Gold Points customers to a new online extension of the program. To promote the online program, Carlson sent a traditional direct mail piece to part of its customer list and a personalized mailer to the rest. The personalized mailer included customized messaging, relevant color images, an image of the recipient's Gold Points membership card and a personalized URL that the recipient could use to register at the online program site. The result? The personalized piece

delivered a 250% higher response than the standard one. Even more importantly, the cost per response in the personalized portion of the campaign was less than half of that in the traditional portion.

- At Hewlett-Packard, we have proven the value of personalized direct mail in our own marketing endeavors. Our Educational Services unit offers training courses relating to a variety of products sold by HP. Earlier this year, we launched a personalized direct mail campaign that was designed to generate registrations for these training courses. The mailing was sent to 10,000 HP customers who had previously attended an HP training course. The mail piece referred to the recipient by name, mentioned the customer's previous purchase and described the course most relevant to that purchase. It also provided the dates of the class in the city closest to the recipient and included a photograph from that city. The mailer directed the recipient to a personalized website for more information and registration. Based on our previous experience with traditional direct mail, we estimated that the campaign would produce a 1 to 3 percent response rate and would generate approximately \$60,000 in revenues. Instead, this personalized campaign produced a 9.4 percent response rate and approximately \$556,000 in new revenues.

part 3: improving the efficiency of collateral management

The second area within marketing where digital publishing technologies can make significant improvements is the creation, production and distribution of printed marketing collateral. Until recently, the options were few. Each marketing piece had to be designed "from the ground up" by a professional designer and, for high-quality color documents, the only real option was costly offset printing. This process could deliver excellent quality, but it had inherent limitations. The cost of both the creative process and the offset printing required corporate marketers to keep collateral pieces general in nature and to produce them in large quantities. Pieces could not be highly targeted, were not easily updated and often became obsolete before they were used.

Today, digital publishing technologies offer a more efficient solution. Now documents can be "assembled" online using flexible, pre-designed templates. Customers simply log on and customize their own collateral materials. Once designed, the materials can be routed to a digital "press" and printed on demand. The quality of these full-color, digitally printed documents rivals that of offset printing—and for a fraction of the cost. Corporate marketers can now create highly targeted collateral pieces on a "just-in-time" basis, increasing their effectiveness and eliminating the costly waste of obsolete materials.

Industry estimates indicate that, for every dollar spent on printing, \$8 to \$14 is spent on shipping, warehousing and handling, and up to 35 percent of the materials are wasted.

To illustrate the real-world benefits of this new approach to marketing collateral production, here are more examples from PODi's "2001 Best Practices in Digital Print" report:

- The Baan Company (Baan) – Baan is a global provider of B2B collaborative commerce solutions. Baan distributed roughly three-quarters of a million pages of marketing collateral annually, in a multitude of languages worldwide. Unfortunately, product improvements outpaced the rate at which documents could be updated, and as much as 60% of their collateral documents were obsolete before they could be used. Baan then implemented a multi-site, Web-enabled, worldwide digital print solution. This fully automated process allowed Baan employees, value-added resellers and dealers to request and customize documents by vertical market, size of company and contact person. The documents were then printed on a digital press. The new system has virtually eliminated outdated materials, and has cut order-handling costs by 85%. Because data can be changed "on the fly," the digital printing has also enabled Baan to substantially reduce the time-to-market of updated information.
- Bowne Enterprise Solutions (BES) (formerly Bowne Digital Solutions) – BES, a business unit of Bowne & Co., Inc., delivers high value, integrated solutions for efficient document creation, production and delivery. One of BES's clients is a retirement plan provider that produces more than 50,000 enrollment kits each year. Before coming to BES, this company was producing its kits in the traditional manner: Components were printed in large quantities and warehoused. They were then retrieved, manually collated and placed into presentation folders as needed. When plan information changed, the "spoiled" inventories were trashed. BES came to this client and offered an integrated, Internet-based solution, which allows the client to customize document templates online and view real-time proofs. Documents can be ordered instantly and are printed and shipped within 48 hours or less. This new process has saved the client \$10 per kit, cut lead times significantly and eliminated manual fulfillment costs and obsolete documents.
- SunAmerica Mutual Funds (SunAmerica) – SunAmerica manages over \$27 billion of assets including approximately \$7 billion in mutual funds. The company wanted to improve the materials its sales force was using to promote its Premier Select 401(k) product. The black and white documents were being printed from desktop computers and were often cumbersome, with information included about every mutual fund, even those not relevant to the prospect. SunAmerica implemented an ordering system that enabled its sales force to design and order customized, full-color booklets online. The booklets can be personalized by company name, number of employees and the

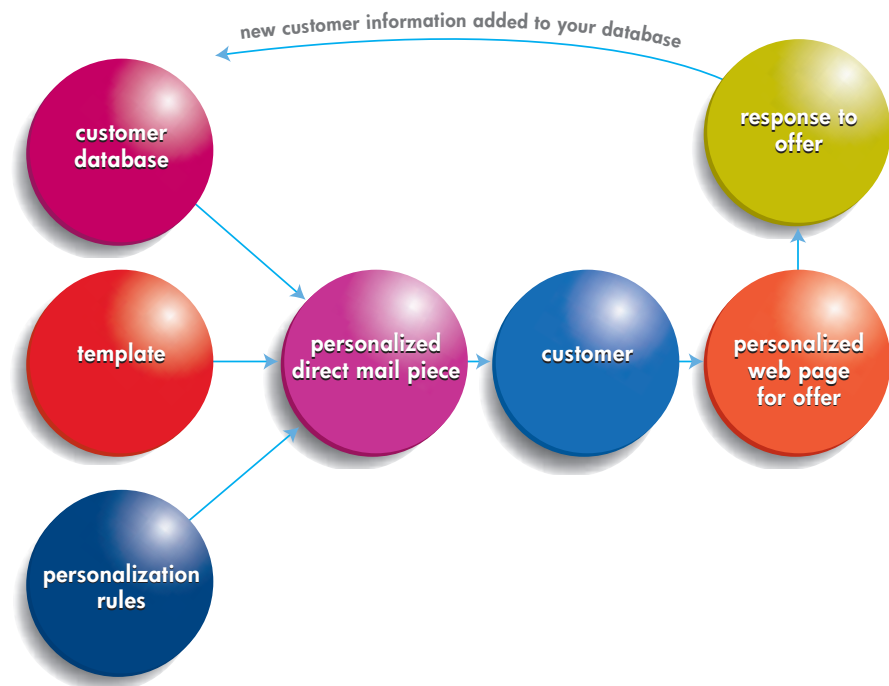
funds being presented. SunAmerica's marketing and legal departments can view proofs online, and the approved booklet is printed digitally in any quantity needed and delivered to the sales person in less than 48 hours. In addition to streamlining the production process, this new system allows SunAmerica to impress prospective customers with personalized, professional information.

part 4: architectures for success

There are many ways to configure winning marketing solutions. Here are two that have proven to be the most successful.

1) personalized direct mail and website system

The best way to improve the response rate of a direct mail campaign is to use a combination of print and Web materials to deliver relevant, personalized offers to each and every recipient. Print materials will receive the prospect's attention and will direct them to a personalized Web site for a response.



Producing a personalized direct mail piece requires the following steps:

- creative design—The creative is typically in a template format to facilitate reuse for future campaigns with predetermined graphics, and room for a customized offer. Personalization alone will boost response rates, but studies have shown that relevance can also easily multiply the response rate by a factor of 2 to 3 times.
- customer database—Typically the most difficult part of the process is getting a good, clean database of prospects. Most companies over-estimate how much data is needed about each prospect—you need no more than you'd need to

have a relevant conversation. More likely than not, you already have sufficient information to market with relevance.

- rules—The rules are the criteria that determine who gets what message, text and images. Consider these tactics:
 - Derive data using business rules that look at multiple data fields.
 - Augment lists by appending information from third-party providers.
 - Consider implicit information that can be derived from list source, region, time of year, products owned, SIC code, title and other info.

Once the steps are completed, the personalized print engine merges the creative with the database according to the rules, and produces personalized, printed pieces that are mailed to the prospect. The prospect is directed to a personalized website to retrieve the offer.

Why send your prospects to the Web? Personalized Web pages have been shown to be more responsive than other methods—they are easy to use and provide instant gratification. Plus, your company gains instant data and 100% capture of respondents. And the personalized Web page is a place to resell your offer. Consider adding secondary offers to your Web-landing pages. Over 30% of respondents to a Web-landing page explore secondary offers presented as sidebars on their personal micro-site.

You can set up a number of options for the personalized website. Typically the prospect clicks through the page to another Web page that is often on your own website. Prospects may be asked to provide contact information and answer a short survey to retrieve their offer. Or perhaps prospects may make additional purchases rather than just providing lead-generation information.

As with the personalized Web page, users who click-through to retrieve an offer or visit another Web page can be tracked and the data is recorded for additional follow-up marketing campaigns.

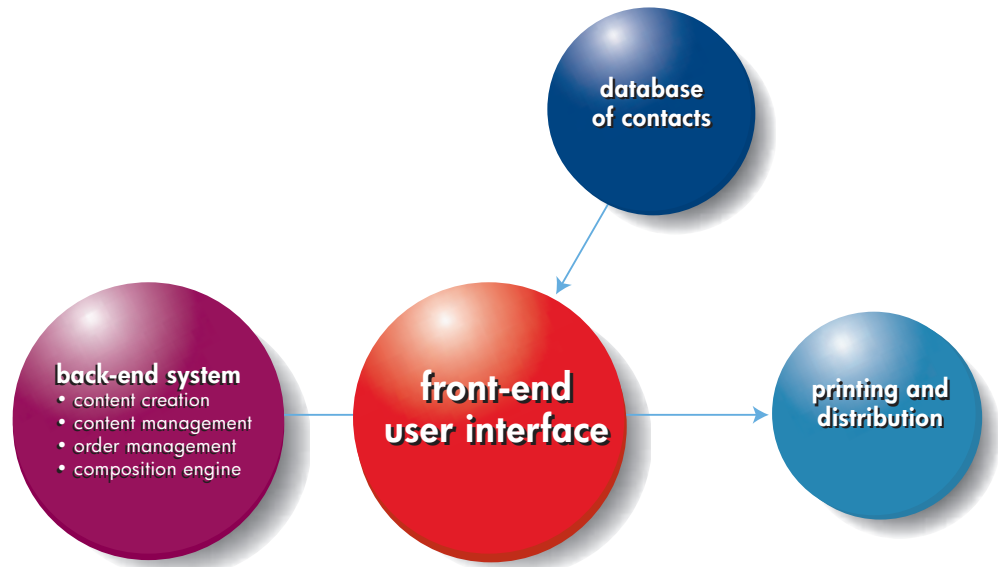
2) digital collateral system

Digital Collateral Systems (DCS) automate the workflow required for creating sales literature, product information, personalized kits or similar materials. These print on demand Web-based systems are hosted by a vendor or a print provider.

DCS contain four major pieces:

- *back-end system*
- *database of contacts*
- *front-end user/web interface*
- *printing and distribution*

Empower your team to be more effective through online creation of collateral.



back-end system

The back-end consists of several modules:

- content creation—Designers create templates containing the graphics, text, images and data-driven, customizable fields.
- content management—The digital assets, such as templates, graphics, logos, photos, words and paragraphs, are organized and stored in a repository.
- order management—This module handles the key administrative tasks associated with each order.
- composition engine—The back-end contains the engine that merges the templates, art and copy with the data to create the print stream and an electronic output (PDF).

database of contacts

For systems that support direct mail, users select recipients from existing internal databases or from their own external databases. Contact information may come from a variety of databases, including Outlook contacts, Excel, Access, internal CRM databases and from end-user input. The database may or may not be resident on the system.

front-end user web interface

The front-end is the place where sales personnel, distributors, dealers, agents, brokers, customers or prospects can log into a Web-based interface to customize, order and send collateral pieces. Users choose from a variety of collateral pieces and personalize them with text and/or images. Users should also have the capability to query existing databases and select specific customers or groups to receive the collateral.

Here is an example of a front-end Web interface workflow for a more-complicated system that interfaces with an agent or a dealer:

- *select the creative*
- *customize the message*
- *choose the target*
- *create the order*
- *perform printing and fulfillment*

printing and distribution

Output from the composition engine goes to a print-production facility where it is printed on a digital press and shipped.

conclusion

In today's hyper-competitive marketplace, corporate marketing professionals face a number of significant challenges. They must develop and implement marketing programs that somehow stand out amid the vast clutter. They must deliver these programs in an efficient and cost-effective manner. And, they must constantly demonstrate to CEOs and other senior executives that their efforts are adding value to the enterprise and its shareholders commensurate with its costs.

As the case studies in this document clearly show, digital publishing technologies can play a significant role in meeting all of the above challenges.

Digital publishing can make marketing communications more effective by enabling true one-to-one communication with customers and prospects. And it can improve efficiency by streamlining the production process and eliminating waste from that process.

At Hewlett-Packard, we are committed to providing you with all the tools you need to leverage the full potential of digital printing. Our HP Indigo presses combine ink-on-paper offset quality with the ability to produce fully customized printed communications. And, our HP Custom Publishing solution provides a Web-enabled, integrated publishing workflow that lets you quickly and easily create customized, highly effective marketing materials.

What does this mean to you? It means more effective marketing pieces, dramatically reduced printing inventory and increased return on marketing communications investments.

HP was founded to invent better tools, and we are committed to transforming the way digital publishing fits into the marketing communications mix. Our goal is to make digital publishing as automatic, streamlined and easy to use as possible, so you can meet the challenge of boosting marketing performance and increasing marketing ROI.

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