Transforming Customer Engagements In A Digital World:

An executive briefing on the shifting communications paradigm and the benefits of a comprehensive customer communications management strategy

Broadridge®

Executive Summary

How do we communicate with consumers in a constantly changing digital world? Consumers are more connected today than ever before—and they expect the companies they do business with to keep up.

First-Class mail volume in the U.S. has dropped 25% since its peak in 2006, according to USPS reporting in 2012. One of the drivers for this decline is a shift to digital communications by consumers. As consumers change the way they communicate socially, they will expect companies they do business with to enable these communications channels as well. The challenge for businesses is that there is a complexity to digital channels that does not exist with traditional printed and mailed communications. If not properly addressed, businesses could suffer from inefficiencies that lead to low customer satisfaction; however, when properly addressed, digital channels can significantly enhance customer relationships.

This paper provides objective insight that encourages businesses to rethink their communications strategy with regard to optimizing customer engagement in a digital world.

The Shifting Communications Paradigm

Communicating used to be easy: determine the message, select the appropriate business form, print it, and send it through the mail. This was the way business communications were handled, and no one thought twice about it.

Fast forward to present day:

- Almost 80% of the U.S. population uses the Internet[1]
- Worldwide mobile broadband subscriptions outnumber landline broadband 2 to 1[2]
- Worldwide tablet sales will exceed 369 million units in 2016[3]

At the same time, consumers are rapidly evolving how they leverage technology:

- YouTube exceeds 800 million unique user visits per month with more than 20% from mobile[4]
- There are over 955 million active Facebook users and 3.2 billion daily "Likes" and "Comments" [5]
- Twitter's 517 million registered users worldwide[6] tweet a total of 400 million tweets per day[7]
- Starbucks processed 42 million mobile payments in the first 16 months of offering a mobile payments service[8]

Today's consumer lives in a technology-enabled, highly connected and multi-channeled world. Whether it is the explosive growth in social media or the increased mobile connectivity on smartphones and tablets, consumers have changed the way they prefer to communicate and transact business.

The Consumer Is In Control

The emergence of new devices and channels has shifted control from businesses to consumers. Consumers not only have the ability to select from a multitude of communication channels, but they are beginning to demand that businesses communicate through the channels they desire.

> **The emergence of new devices and channels has shifted control from businesses to consumers.**

Consider some of the shifts to digital channels that we have seen over recent years:

- Printed books → eBooks
- Printed magazines → personalized and interactive digital magazines
- In-store music purchase → iTunes
- In-store video rentals → Netflix
- Cash payment → mobile payment
- Scan/fax/mail signatures → e-signatures
- Card in the mail → eCard
- Letter in the mail → e-Mail

What's next? How about an overhaul of the customer communications market with "Digital Mail?"

- Envelopes and static document → dynamic interactive experiences accessible anywhere

While digital delivery is expected to continue to drive declines in physical mail, businesses need to fully understand the complexity of the digital medium. Consumers are accessing their communications on a variety of devices—PCs, tablets, mobile phones—and expect the content to be optimized for the devices they are using. As a result of focus groups conducted in 2010 and 2011 by Broadridge and insight from leading industry research firms, including Forrester, Monitor and Madison Advisors, it is clear that the future of customer communications will look quite different.

[1] *North America Internet Users and Population Statistics, Internet World Stats, 2012*
[2] *Key Global Telecom Indicators for the World Telecommunication Service Sector, ITU, 2011*
[3] *Forecast: Media Tablets by Operating System, Worldwide, 2010-2016, 1Q12 Update, Gartner, 2012*
[4] *Press Room Statistics, YouTube, 2012*
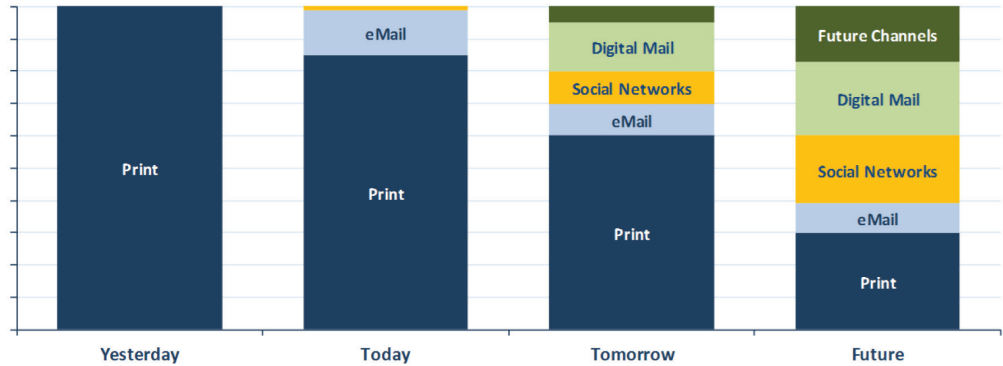[5] *The Power of Facebook Advertising, Facebook, 2012*
[6] *Analyst: Twitter Passed 500M Users In June 2012..., TechCrunch, 2012*
[7] *Twitter hits 400 million tweets per day, mostly mobile, CNET, 2012*
[8] *Starbucks apps account for 42M mobile payments, VentureBeat, 2012*

FIGURE 1

THE FUTURE OF COMMUNICATIONS WILL LOOK DIFFERENT

Based on content from Forrester, Monitor, Madison Advisors and Broadridge E-Focus Group Report of Findings

While we do not have definitive forward-looking data, we know that future strategies need to consider that:

- Some consumers will prefer to retain a print-based relationship
- Some consumers will seek digital alternatives
- In many cases, consumers will expect to communicate across multiple channels within the same dialogue

For instance, consider a communication that originates with a piece of physical mail that prompts the consumer to respond at the provider's website and then results in a follow up mobile message or e-mail. This scenario is most pronounced in bill payment where less than 15% of consumers in the U.S. receive their bills electronically-only, but nearly 85% of them pay some portion of their bills electronically.[9]

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Electronic bill payment works because it simplifies the payment process for consumers. Unfortunately, this has not been the case with current electronic delivery models. Rather than improve the consumer experience, traditional electronic delivery has introduced complexity. In many cases, consumers receive an e-mail from each provider, get redirected to the provider's website where they must enter login information, and then navigate within the website to retrieve a single communication. They must then repeat the process for each additional provider. Compare this to the physical channel, where consumers walk to the end of their driveways and have all of their mail waiting for them in their mailbox.

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[9]*The Emergence of Digital Mailbox Services, InfoTrends, 2011*

As a result, traditional electronic delivery adoption rates are much lower than originally anticipated: the channel simply does not provide a superior consumer experience. Fortunately, providers of emerging communications channels like digital mail recognize this as a fundamental issue in increasing adoption rates and have designed the services to simplify and enhance the consumer experience.

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The Emergence Of Digital Mail

Digital Mail is a state-of-the-art emerging channel where consumers can view, manage and organize their digital communications in a single location, through a single log-on, while being identified by their physical postal address.

Through this channel, the consumer can receive and respond to various communications – including statements, proxy solicitations and prospectuses – while also securely managing other business relationships, such as paying bills and receiving important notices and reminders – all without being redirected to yet another website.

Some of the value-added services that digital mail provides to consumers include:

• Access to and management of all mail in one secure location, with one password
• Connection via any web-connected device
• Capability to view statements, pay bills and vote proxies without ever leaving the channel
• Choose who can send mail and which specific content is delivered
• Organize and archive communications based on the consumer's rules and preferences
• Deliver interactive, relationship-enhancing content

Analysts expect this digital channel to be of high importance in the future. InfoTrends recently completed a comprehensive study on this market and concluded **that digital mail services will deliver 2 billion paperless transactional documents to U.S. consumers in 2015** — representing 7% of all transaction documents and 19% of all paperless delivery.

BILLIONS OF DOCUMENTS DELIVERED VIA DIGITAL MAIL

6	5.64
5	
4	
3	
2	1.83
1	0.72
	0.04 0.2 0.68
	2014 2015

EXPECTED
ACCELERATED
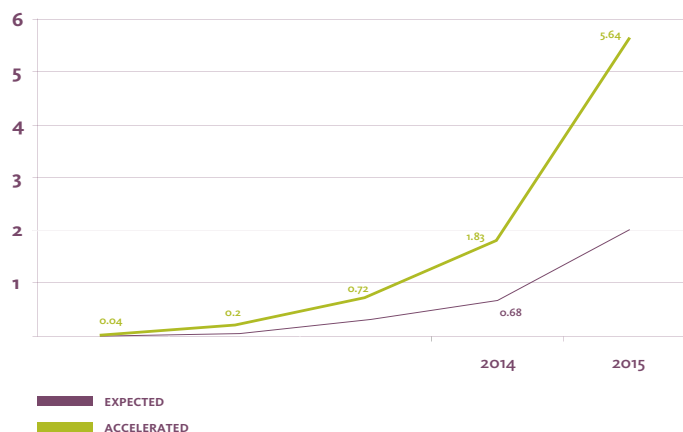
InfoTrends' analysts expect aggressive growth because digital mail services have been specifically developed with the consumer in mind. Where traditional delivery options have underperformed, digital mail is designed to simplify the consumer's life while providing enhanced communications.

Businesses that enable the digital mail channel will be providing consumers with a more complete communications suite, while reducing production costs as consumers increasingly transition away from print-based communications.

Developing a Next Generation Communications Strategy

Elements of a Next-Generation Communication Strategy

Given that the future of customer communications will be different, businesses must revisit their strategy. In fact, a distribution strategy is often mistaken for a communications strategy. **The reality is that businesses are often focused on marketing channels and devices in separate silos, rather than considering how channels and devices need to connect across the entire customer experience.** Expanding the communications management strategy beyond distribution opens the door to consideration of an holistic approach that includes identity management, content management, workflow management and analytical tools.

Many businesses are spending millions of dollars a year attempting to secure client data while at the same time trying to introduce tools that provide an enhanced consumer experience -- yet these two objectives are often in conflict. An emerging suite of functionality, technology and standards around Identity management work to bring these priorities together through a new form of online credentials (a digital identity). A digital identity consists of log-in credentials and an associated profile (e.g., name, address, telephone number), plus other personal information (e.g., credit cards, bank data, brokerage, preferences, pictures, content, social). These digital identities provide consumers with complete control of their data by allowing them to decide how their information is being used, while at the same time providing the rules and the ecosystem that enable firms to apply these identities securely and consistently. Businesses should make identity management a core component of a next-generation communications management strategy.

> **IDENTITY MANAGEMENT**
>
> Identity Management is a critical component of digital communications, bringing security to client data while providing consumers with an enhanced experience.

In addition to identity management, other important components include:

- **Content Management:** Create, transform, store and integrate disparate content from traditional and digital presentation
- **Workflow Management:** Manage client data, regulatory / industry events and associated business rules to facilitate compliance and enable communications among all industry participants
- **Insight & Analytics:** Tools enabling clients to monitor and gain insight into how information is progressing through processes and how content is being utilized by the recipient

The ideal customer communications strategy provides businesses with a centralized platform for managing and enabling communications through the channels their customers choose. After identifying key components of your strategy, the next step is to develop a framework.

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How to Develop a Customer Communication Framework

As digital mail and other new channels emerge, integration across multiple business units adds complexity and often results in duplication of efforts across the enterprise. The Figure below is a typical example of a distributed customer communications strategy that you can find today in most large companies. In this example, each line of business within the enterprise acts as a silo and has a different way of connecting its customers to distribution channels. Using this scenario, we often find that customer data is not integrated. This leads to a lack of a centralized view of distribution of customer communications and preferences across the lines of businesses. This often results in duplicated delivery of enterprise communications, mismanaged preferences and poor customer experience.

FIGURE 3

Current State Distribution
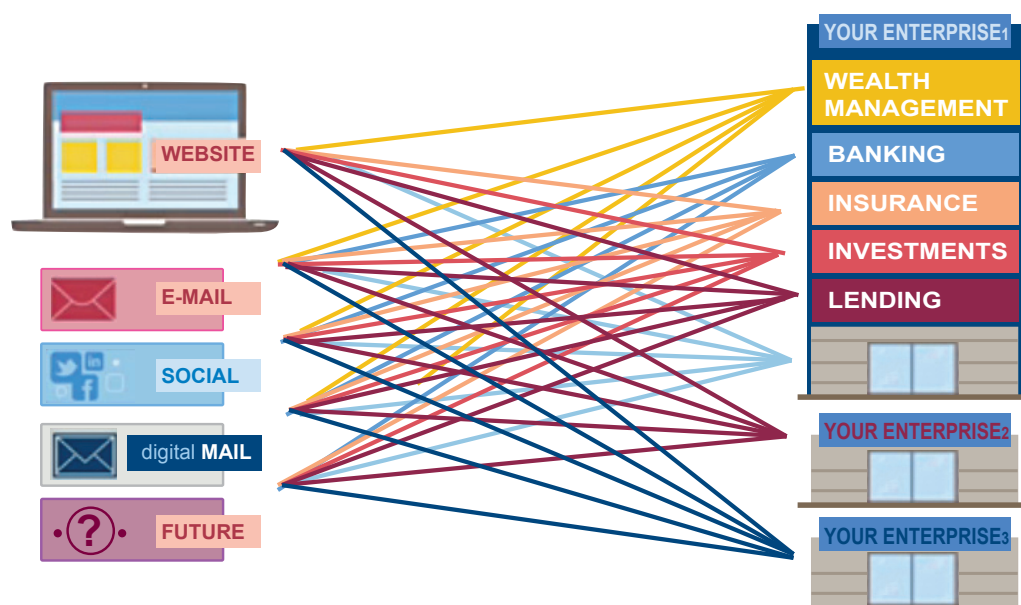
This distributed approach is both costly and inefficient, and it reflects a lack of coordination across the various channels. If this approach is left unchecked, the quality of the customer experience will suffer, and the adoption of new channels will lead to unnecessary costs and inefficiencies.

Centralized Customer Communications Management

In moving from a distributed customer communications strategy to one that centralizes customer data across all lines of business, enterprises can obtain a single view of the customer that the decentralized approach lacks. The goal of this centralized customer communications strategy is to eliminate complexity through an integrated framework that streamlines both implementation and management costs while also optimizing the customer experience. Here are some considerations when creating a centralized customer communications management strategy:

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- **Emerging Channels:** A platform must be flexible in supporting emerging channels such as social media and digital mail without incurring a significant upfront investment to support every new channel
- **Preferences & Consent:** Consumers should be able to set and update preferences through the channel of their choosing while ensuring that regulatory compliance has been satisfied and that updates are consistently applied across all lines of business with whom they have a relationship (if that is their preference)
- **Deeper Insight:** A platform should include tools that give insight across distribution channels and integrate with third-party channels in providing internal and external stakeholders with the ability to track and gain a deep understanding of the effectiveness of communications
- **Interactive Capabilities:** Leverage the capabilities of eachchannel and go beyond sending a statement or regulatory disclosure by enabling an interactive conversation (as a relationship builder) between firm and consumer

FIGURE 4

Future State Distribution
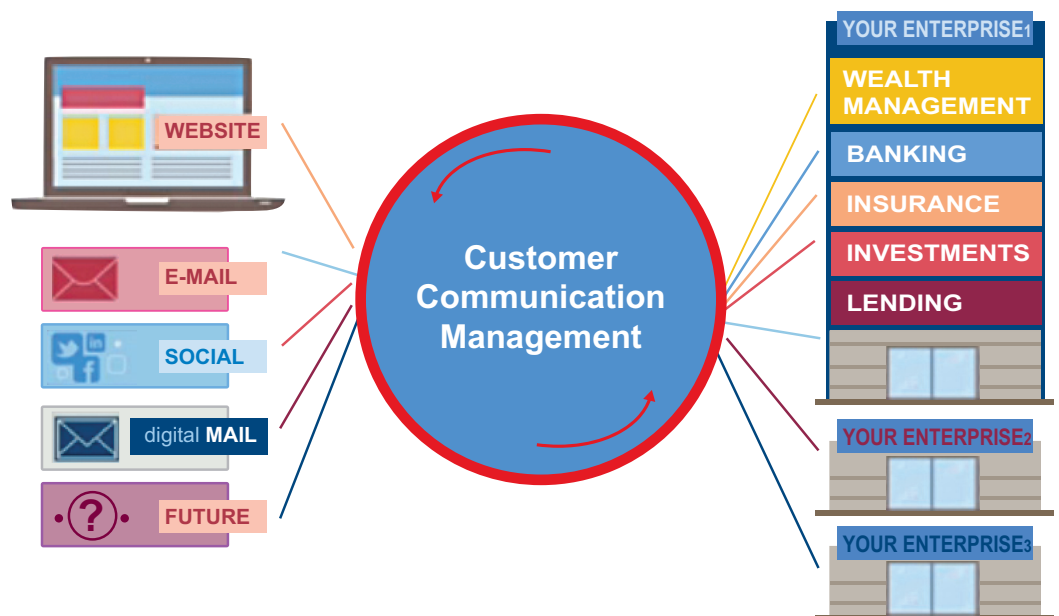
In a centralized solution, communications across various channels can be facilitated through a single, centrally-managed platform. The benefits of this approach abound:

- **Reduce Costs:** Centralizing communications eliminates duplicated efforts and costly inefficiencies – not to mention the substantial savings on reduced print and postage expenses
- **Manage Preferences and Consent:** Managing advanced validation and identify verification leads to improved control and compliance
- **Gain Efficiencies:** Seamless integration with a single partner enables multi-channel access through a single integration point
- **Greater Insights:** Using advanced reporting and analytics will help generate insight for audit delivery, activity tracking and communications effectiveness
- **Improve the Consumer Experience:** Delivering a coordinated experience across all channels and business units enhances consumer relationships and customer engagement with the brand

Conclusion

The old rules no longer apply, and the new rules continue to evolve.

Businesses must have a strategy in place to keep pace with the evolving communications landscape. A confluence of technology, connectivity, awareness and expectation has led to consumers expecting to be in control of how they choose to communicate. The old rules no longer apply, and the new rules continue to evolve. The challenge is in enabling consumers to choose how to interact with their providers while maintaining a secure and centralized environment for customer engagement.

Businesses that develop a next generation customer communications management strategy will be best prepared for expanding customer engagement in a digital world. Here are some recommendations for getting started:

1. **Engage a Partner:** Building a customer communications management solution on your own is costly and will further delay your ability to create an improved customer experience. Engage a partner who has experience to support you in this endeavor.
2. **Map your Current State:** Go through the process of understanding how communications are currently handled within your organization and all the touchpoints you have with your customer today. Also, identify key stakeholders to participate in this process to ensure its success.
3. **Seek Out an Executive Champion:** Having an executive sponsor who understands the importance of evolving customer communications is paramount to the success of this initiative
4. **Achieve Organizational Alignment:** Bring key stakeholders into the discussion and educate them on next generation customer communications management
5. **Embrace New Channels and Execute:** Consumers expect access to options in the way that they communicate with their providers. Embrace emerging channels and focus on improving customer satisfaction through improved management of communications.

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