

# Kodak's roadmap to color

The big picture

## Roadmap to color: The big picture



In every generation there is some technology that takes hold and changes the way we do business. In the sixties we saw the rise of the mainframe computer. In the seventies we saw the development of comprehensive business applications. In the eighties we saw the development of database technology and its integration into the business applications born in the seventies. We also saw the emergence of high-speed business printers and supporting applications that allowed sophisticated page layouts and the ability to merge data from a number of databases into the pages on the way to the printer.

That ability to merge variable data into the print stream changed the way many companies communicated with their customers. They designed preprinted shells to handle the company logo and regulatory information, printing the rest of the information needed to provide statements, bills, proxies and a variety of other types of communication using black toner.

As we approached the nineties, the page-layout programs became more sophisticated, moving from the restrictive world of the mainframe terminal to the graphical world of the PC, with colorful user interfaces that allowed designers great freedom. The Internet emerged as a compatible delivery medium for bills and statements, so designers began to incorporate color into their designs, even when they could not justify going to print technologies that would allow a document to be viewed *and* printed in color. Spot-color technologies emerged, followed closely by full-color technologies, but the cost to migrate to color continued to appear prohibitive. Now that has all changed.

The next paradigm shift has occurred: the availability of technologies that make the migration to high-speed monochrome, high-speed spot color and high-speed full color affordable. In fact, the return on investment can be incredibly quick!

The big picture focuses on both in-plant and service print operations that can offer a path to eliminate preprinted shells; offer the option of developing inline inserts that take advantage of application-based address cleansing and sorting; eliminate physical mail-piece sortation; reduce warehousing and inventory management; and increase the uptime in your print environment by reducing time spent changing paper stock and clearing associated jams. The big picture is a reflection of trends we see across the high-volume transaction-output industry that include:

- **Cut-sheet print migrating to continuous-forms printers**

Fewer engines can handle the same or growing volume, reducing the device footprint and the number of required operators.

- **Higher-speed continuous-forms printers with innovative upgrade paths**

Not only allows for fewer engines to generate existing print volumes, but – with the addition of MICR, selective perforation and spot to full color – provides more options than older high-speed monochrome print options.

- **Fewer print sites per organization**

The rise of hyper-efficient mail “manufacturing” means that mailing can be accomplished from anywhere in the country and still meet delivery timetables. That, in turn, means that print sites can be consolidated around higher-volume print devices to gain efficiencies.

In tandem with these basic efficiency increases are hidden savings and revenue opportunities that increase the bottom-line profit potential for the organization. Kodak Versamark customers tell us that they have realized demonstrable savings by reducing the footprint of their print operations, eliminating warehousing and increasing throughput. They tell us that they have been able to offer their internal and external customers increased flexibility in their customer communications; develop innovative partnerships between billers and marketing partners to help fund implementation; and take advantage of the power of color. Not just static color, but flexible, variable color used in combination with variable-data tools to create documents that speak to the recipient in a personal and customized way.

Why are we seeing the upsurge in interest? We already know that color communication is powerful, especially when combined with personalization and customization. What makes it interesting today is affordability! But let's start with a look at the power of color.

INTERQUEST, an industry research organization, tells us that in 2003 approximately 16% of the total print volume on digital color devices in North America incorporated full-color variable data. They anticipate a growth curve that will see 30% of the total print volume using color variable data by 2007. Those color variable-data print jobs span applications from statements and bills to the emerging category called TransPromo – using transaction documents as marketing and promotional tools, in essence creating a new advertising medium.

According to our estimates, in 2003 our print devices were responsible for producing approximately 57 billion annual equivalent letter/A4 impressions. That includes 12 billion impressions in production-document printing, with eight billion impressions in spot color and full color, the vast majority incorporating variable data.

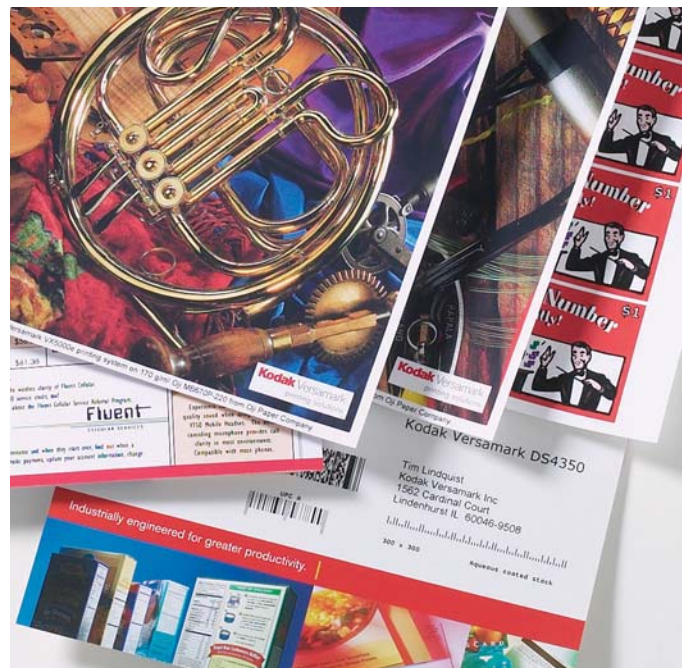
## The power of color

When we talk about the power of color, people ask us what we mean. What is the real value of adding color to my customer communications, especially bills and statements? Won't recipients open them anyway?

In fact, we know from years of independent industry research that color does make your message more effective. Of course, you probably already know that. Look around your organization and peruse your own marketing material and customer communications. Chances are you'll see some color. It may be limited to spot color like the corporate logo, but in most cases customer-directed documents are becoming more colorful every year.

One reason is that color helps us to cut through the clutter. Research done by PANTONE and the Pantone Institute noted that people are 78% more likely to remember words and phrases presented to them in color. Other industry studies over the past 10 years build on that; they tell us that the current generations of mail recipients respond positively to color. They are 55% more likely to pick up a piece of full-color mail, and some studies indicate that the use of color graphics increases a recipient's willingness to spend time with that mail by up to 80%.<sup>1</sup> The same studies indicate that color is a motivating force that calls recipients to action in a way that monochrome communications do not. Remember too that color in advertising outsells black-and-white advertising by 88%!<sup>2</sup>

Of course, the colors you work with play a part in how the message is perceived, so it is important to work with your



design professionals to ensure that the message you *want* to communicate is the message you *actually* communicate. The goal is to allow the color to bring clarity to the message, not obscure it.

Companies that have added color to their customer communications, especially statements, find that they field fewer phone calls in their call centers. A well-designed bill, statement or letter that uses color effectively tells the recipients exactly what they need to do. The use of color provides as much as an 80% improvement in message comprehension, and that can reduce your support costs.

## The power of color *continued*

Some companies have helped to justify their migration to full color using projected cost savings from their call centers, and been pleasantly surprised when their actual savings were higher than their projections.

Color gets people to notice offers and promotions. Adding color reduces the time it takes for a recipient to notice an offer and decide to take action. This isn't a surprise to researchers; they tell us that the reason is that while the text in a message gets the attention of the left side of our brain, color attracts the right side. A message that speaks to both sides of the brain gets faster recognition! Studies indicate that color and text, working in concert, improve recall for promotional offers and other targeted information by as much as 82%.<sup>3</sup>

It takes more than color to communicate effectively. It also takes an understanding of the customer. It is the combination of color and personalization that has the most impact, and you can only master personalization if you can master the data and information you have on your target recipients.

- <sup>1</sup> *The Persuasive Properties of Color*; Ronald E. Green; *Marketing Communications*, October 1984.
- <sup>2</sup> *Loyola University School of Business, Chicago, IL, as reported in Hewlett-Packard's Advisor*, June 1999; (<http://www.hpadvisor.com>).
- <sup>3</sup> *The Power of Color. Research conducted by The Michael Allen Company in conjunction with TNS Intersearch* (2003).

## Mastering the data

The power of digital print technology is the ability to interact with the data the organization has about its customers and build personalized, customized communications with those customers based on that knowledge. Sure, there are privacy considerations, technology considerations and even design considerations, but every issue that can be raised can be answered in a way that will satisfy the legal and compliance department, the IT department and the marketing department.

**“Personalized print is how CRM manifests on paper, and personalized print requires digital printing.”**

– *PODI*

The key to moving forward is to understand the current technology in place in your organization, including how much information is available on each customer and where it resides. That last item is critical. Many organizations come to understand that their “customer database” is really a set of databases that are not tied together. Instead, they are silos of information about their customers that are pulled together with business applications when it is time to create a statement or other mailing.



Is it necessary to execute a full Customer Relationship Management (CRM) project to build a coordinated view of your customer? No.

While CRM projects can provide an enterprise-wide view of your customers and help in streamlining data profiles of your customers, it isn't necessary to wait until you have an implemented CRM program to begin moving toward higher-quality customer communication. You can create

## Mastering the data *continued*

integrated customer communications that take advantage of personalization and color using the same tools you use today! It takes some coordination between the marketing organization and the owners of the data, but many companies successfully execute the move to color variable-data applications with their existing tool sets.

Utilization of data-mining solutions enables you to build personalized and customized communications to your customers. In addition, it opens the door to partnerships with internal and external organizations to incorporate their targeted marketing offers into your customer communications.

You may be thinking that your organization already does some of that. You add inserts to the envelope, or there is already a personalized offer made within the statement. These may be getting your message to some of your recipients, but if you ask your marketing group, you'll probably find that the response rates to these efforts are quite low. The problem is that they compete with a lot of other noise in the envelope and on the statement.

How do you break through the noise? You add color, and you personalize the message and the offer within the confines of the statement.

Why *within* the statement? Because we know that recipients actually *read* the statement, even if they throw away everything else that came in the envelope. In fact, consumers pay more attention to their bills and statements than any other communication you send them.

Many banks and credit-card companies are already leveraging the power of the statement by redesigning their statements with white space that they can use for

their own promotions and that they can sell to marketing partners. The biller retains control of the mailing and the customer data, and the marketing partner gets a chance to pitch an offer to a targeted set of recipients by working on the rules for making the offer with the biller.

This isn't a prediction. Companies around the world are executing the vision today.

One early adopter of this approach is Be'eri Printers. It combines the power of database mining with the ability to produce color variable data to produce micro-versioned offers on behalf of its customers. One customer, the Fox retail chain, took advantage of what Be'eri can do and developed a coupon mailing that was integrated with a monthly statement for a credit-card user. The innovation is that in addition to the personal messaging on the statement, the included coupon varied in amount for each recipient based on historical spending habits. The more a recipient spent each month, the higher the value of the coupon.

Fox also took it a step further, placing a time limit on the use of the coupon. From the time the statement was put into the mail, the clock started ticking. When the recipients received the statement, they had three or four days to use the coupon, which expired on the following weekend. Using this campaign plan, Fox experienced a 44% response rate. That means that 44% of the people who received these coupons visited the store and used them in the allotted time frame. That generated approximately \$2M in positive cash flow from a single campaign.

The takeaway is that your current transaction communication program can be more than just a cost center. It can become a force for customer retention, customer education and revenue generation.

## Putting transaction communication to work

Bills and statements are the most consistent and persistent communication vehicle that any organization has with its customers. They are regular, in most cases sent on a monthly or quarterly basis, and they are expected by the recipient. The fact that they are expected means that they are opened and reviewed.

Consider this an opportunity! It is a chance rarely afforded to businesses to develop and maintain a dialogue with your



## Putting transaction communication to work *continued*

customers by demonstrating your understanding of their relationship with you. It gives you a chance to enhance their image of your brand, using a uniquely acceptable form of highly personal communication.


The bills and statements you send to your customers communicate information that they need, so you already have their attention. The value of the transaction document is realized when you take that attention and turn it into action. The method through which you can realize this value is the *TransPromo* document, combining the information delivery of the transaction document with the data-driven personalization of promotional offers to generate faster and higher response.

Companies around the world have been stepping up to the challenge of turning the informational transaction documents into revenue-generating TransPromo documents. Some do it on their own, while others form partnerships that allow them to sell available white space on their bills and statements. The advantage to the company buying

access to the white space is that the biller can ensure that his message is targeted to only those who meet the demographic requirements of the campaign. The advantage to the company selling the white space is that it is providing targeted, relevant offers to its customers.

Companies like DST Output and Transcontinental Direct are also exercising TransPromo campaigns, like the highly successful program developed by Rotomail. One of the Rotomail success stories is a partnership between a worldwide bank and a leading credit-card company and watch manufacturer. The watch campaign purchased white space on statements where the recipient routinely spent more than 5,000 Euros per month and more than 5,000 Euros per year on jewelry. Rotomail tells us that its customer saw a 65% response rate by carefully targeting the message.

DST, Transcontinental Direct and other companies in North America and the Pacific Rim are creating similar campaigns with similar results. These leaders in developing the TransPromo marketplace are enabling their customers to achieve demonstrable and repeatable results through integration of databases and data-mining solutions.



## Driving toward the goal: Keeping current customers and converting prospects to customers

The challenge for any business is to maintain a relationship with its current customer base while acquiring new customers. The effectiveness of any communication program can be measured by its ability to strengthen and enhance the organization's relationship with its customers. Sometimes that means offering rewards-based loyalty programs; sometimes that means offering special deals and promotions for relevant products within the current product line; and sometimes that means providing access to relevant offers from business partners. The prevailing wisdom is that customers remain loyal to those companies that treat them well and make them feel valued.

Creating a customer relationship that enhances retention and loyalty is the first step towards increased profitability.

The next step is to enhance the revenue per customer. In order to increase per-customer revenue, it is pivotal that organizations develop a deep understanding of the customer: buying patterns, lifestyle, demographics and so on. Once this data is developed, it can be used to drive upsell and cross-sell opportunities. Customers are most respondent to offers that align with their potential buying patterns and are appreciative of organizations that offer them products that meet their wants and needs. As the Be'eri and Rotomail examples demonstrate, knowing your customer can drive significant profits.

Effective acquisition of new customers also benefits from the enhanced knowledge that data analysis and data mining can provide. Customers respond best to offers that are relevant to their needs and interests. While it can be difficult to obtain the same level of data that is available in a TransPromo environment, layering additional data yields tangible improvements in response rates.



## Conclusion

We said at the start that in every generation there is some technology that takes hold and changes the way we do business. We believe that for this generation that

technology is digital printing using color variable-data techniques that enhance customer communications. We believe that every company can define its own roadmap to color that will increase the value of every customer relationship at the bottom line.

### To learn more about it...

**The Complete Guide to Personalized & Database Printing**, by Frank J. Romano and David Broudy. Available from PIA/GATF Bookstore, Tel: 800.662.3916

**Delmar's Dictionary of Digital Printing and Publishing**, Frank J. Romano, editor. Available from PIA/GATF Bookstore, Tel: 800.662.3916

**Database Marketing: The New Profit Frontier**, by Ed Burnett. Available from The Morris-Lee Publishing Group, Tel: 609.397.8538

**Ed Burnett's Master Guide to Direct Marketing**. Available from The Morris-Lee Publishing Group, Tel: 609.397.8538

**The Digital Printing Council, Printing Industries of America, Inc.**

**Printing Industries of America/Graphic Arts Technical Foundation**

**Digital Color Production Printing: Market Analysis & Forecast (2004–2009)**. Available from INTERQUEST, Tel: 434.979.9945

**Color Variable Data Printing: 2004 Versus 2003 Print Providers Survey**. Available from INTERQUEST, Tel: 434.979.9945

**For more information** on Kodak Versamark digital printing solutions, contact your local sales representative, call us at 800.472.4839 or visit our website at [www.kodakversamark.com](http://www.kodakversamark.com).  
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