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INSIGHT

Pitney Bowes' Open House: Insights into the Mailstream Strategy

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IDC OPINION

Pitney Bowes recently held its fourth annual Open House at its Danbury, Connecticut, technology center for its production mailer customers and prospects. The event addressed several evolving market forces, including the impact from the recent postal rate and regulatory changes, the evolution of transpromotional marketing, and personalization of documents driven by print on demand. The technology demonstrations highlighted Pitney Bowes' strategy for growth. Nearly 200 customers attended the event, and they were exposed to a lot of technology that is certainly focused on Pitney Bowes heritage. Pitney Bowes is shifting the discussion it can have with customers, from a dialog centered on cost control and efficiency to one that also incorporates driving revenue for its customers. However, the Open House also demonstrated that Pitney Bowes has a codified strategy for competing across the spectrum of what it terms the "customer communication management" value chain. This value chain moves far upstream from mailing and postage solutions to include the following:

- Data management and analytics
- Document creation and production
- Document management and distribution

IN THIS INSIGHT

This IDC Insight reviews the fourth annual Pitney Bowes Open House event.

SITUATION OVERVIEW

On May 22–23, Pitney Bowes held its fourth annual Open House at its Danbury, Connecticut, technology center for its production mailer customers and prospects. The event addressed several evolving market forces that impact the flow of mail, documents, and packages, whether they be paper based or digital, between organizations and their customers. Pitney Bowes refers to this flow of communications as the *mailstream*, which encompasses a broad value chain of activities, including document creation, data management, document production, delivery, as well as the management of inbound communications.

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Not surprisingly, the impact from the recent postal rate and regulatory changes was a key topic addressed during the event. There were a number of solutions demonstrated in the technology center that highlighted how mailers cannot only adapt to postal changes but also profit from the changing marketplace. Furthermore, Pitney Bowes highlighted how its customers can benefit from the evolution of transpromotional marketing and personalization of documents driven by print on demand.

The array of technology demonstrated throughout the two days of the Open House called into relief the framework of Pitney Bowes' evolving strategy for growth. Like its customers, Pitney Bowes must also adjust to a changing marketplace if it is to grow. Although there remains substantial revenue to be made in mail production and distribution, which is at the core of the Pitney Bowes' business, there are many technological and business forces that limit growth in the overall volume of mail (e.g., the Internet, software, pressures to reduce operational costs). By extension, these forces could potentially create obstacles for Pitney Bowes' revenue growth opportunity if the company were not to adjust its strategy.

This is why, in 2001, the company embarked upon a total review of its strategy. In fact, it was this inward review that produced the term *mailstream*. More importantly, a core element of Pitney Bowes strategy emerged — diversify the companies' revenue streams by competing across the entire spectrum of the value chain that underpins the mailstream. As a result of this shift in strategy, Pitney Bowes acquired 70 companies in recent years, all of which compete within the value chain of the mailstream. The acquired companies fall into two primary categories: international distributors and software technology firms.

MapInfo, the recently acquired location intelligence software company, exemplifies the new strategic direction. MapInfo complements Pitney Bowes' capabilities by allowing for geophysical and geopsychographic information to be integrated into B2C customer communications, such as direct mail and transpromotional statements. As a result, another layer of personalization is possible within customer interactions.

For example, industries with high-volume B2C communications, such as finance, insurance, or telecommunications, can use this technology to optimize distribution channels. Data analytics around geographic information and customer purchasing patterns can be integrated into communications to drive customers to the closest, or most appropriate, channel outlet. Also, enterprises can use the technology to leverage geospatial information within the business decisions, such as determining optimal locations for placing new retail locations.

The technology demonstrations during the Open House pulled together the portfolio of products to display end-to-end solutions for mailing operations. For example, an automated document factory (i.e., a complete solution from document creation to mailing, with mail integrity tracking down to the individual mail piece) was on display. The demonstration touched on the key themes of the event: controlling impact of the postal regulation changes, value proposition of transpromotional applications, and personalized POD. The individual components of the ADF included:

- Group 1 software for address quality and document composition: Improves statement design and customer communications and reduces calls to call centers

- Emtex software for datastream transformation: Drives multiple vendors' production printers, enables scheduling and reprints of individual customer communications when necessary

- Value of MapInfo discussed in terms of the potential it offers to stimulate customer response: Addresses customer needs based on geographic knowledge

- DFWorks software for monitoring job-by-job SLA progress and performance: Enables a semiautomated work cell performance

- Flexible Productivity Series (FPS12F) inserter: Incorporates rotary feeders for broader document handling, including letter and flats; processes letters up to 14,000 per hour

- EFS Envelope Finishing System: Offers new printing and scanning of customized envelopes during the inserting process (All information is printed on the envelope while on the inserter, including variable messages, and mail pieces are scanned to ensure integrity. It was noted that, although in its infancy, this represents a transpromotional opportunity both inside and outside the envelope. The EFS system uses Intelligent Mail Bar Codes to help mailers control costs by ensuring that a given address is valid. Part of the postal regulation changes mean that mail pieces with invalid addresses will not qualify for discounts.)

Pitney Bowes highlighted that integrity and tracking were enabled at the process, individual job, and mail-piece level. Also, Pitney Bowes' concept of "Touch and Toss" was addressed. If there is a problem within individual pieces of mail, then the operator should not try to resolve the piece-level problem within the work cell because of the risk associated with manual fixes from a mail integrity perspective as well as the costs associated with manual processes. Rather, Pitney Bowes recommended that if the operator must touch the piece, then it should be tossed out and reprinted (i.e., print on demand). The job demonstrated on the floor incorporated preprinted color shells. However, it was noted that the Emtex software was able to reprint the job in full color, with an AFP to PostScript datastream conversion, within an automated workflow.

Other Pitney Bowes and partner product demonstrations of note included:

- Advanced Productivity System (APS) inserter with HPI 72C Cutter Input and Twist-No-Twist Module (TNT):

  - APS runs at 22,000 cycles per hour and has a built-in Productivity Tool Suite that provides operators with view of system productivity.

  - The TNT module allows the processing of any application by flipping folded/letter, trifold, and/or half-fold applications.

- FPS inserter with TNT, EFS, and DM Infinity:

- DM Infinity Series is a USPS high-speed digital metering solution. It can print metered or permit mail up to 22,000 envelopes per hour and uses Reset-on-the-Fly technology to process mixed-weight mail.

- Olympus Multi Tier Sorter printing IM barcode: Processes incoming and outgoing mail up to 36,000 pieces per hour

- SURE-FEED FeedMax envelope feed: For inserting and print cards into mail pieces (e.g., credit cards, drivers licenses)

- The partner MCS showcased its invisible ink solution to hide automation marking for high-speed insertion. The solution is able to work with any continuous form printer and most document composition software applications.

FUTURE OUTLOOK

The nearly 200 customers that attended the Pitney Bowes Open House were exposed to a lot of technology. Pitney Bowes certainly remains focused on its heritage. However, it is also expanding the value proposition it offers to its customers, production mailers, and enterprise customers with high volumes of inbound and outbound customer communications. The company is shifting the discussion it can have with customers by moving from a dialog centered on cost control and efficiency to one that also incorporates discussing how it can drive revenue for its customers as well.

There remain many challenges ahead. There is the need to integrate the many acquired companies in a cohesive and synergistic manner. The expansion of products and services that stretch across the value chain of customer communications also changes, and increases, the number of purchase decision makers Pitney Bowes must now sell into. Furthermore, many customers continue to have operations that function in silos; however, Pitney Bowes' value proposition, which it now brings to market, often requires customers to implement new ways of doing business.

For example, transpromotional applications are in their infancy. Additionally, although many enterprises have the ideal of a single view of customers, the truth is many companies still struggle with integrating customer data across business and product lines. This of course is a critical factor behind transpromotional communications; statements and billings can't be effectively personalized to drive cross-sell and upsell unless companies know more about the customers. Moreover, Pitney Bowes' customers need to have an IT infrastructure and system in place to do the data analytics to truly drive transpromotional applications effectively.

Nevertheless, the shift in Pitney Bowes' strategy has enabled the company to move upstream in the communications process, to leverage business intelligence, and to drive more effective customer communications. Pitney Bowes now offers the products and services that can help customers achieve more effective data management and analytics, in order to drive cross-sell and upsell opportunities. The acquisitions, all of which are connected to mail in one way or another, have diversified Pitney Bowes' portfolio of hardware, software, and services offerings. No doubt, Pitney Bowes also

hopes that as a result of this new strategy, the rhythmic "Ching Ching" sound from mail inserters and sorters will remain healthy in mailroom operations around the globe.

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