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The ROI Of Correspondence Management

by Sheri McLeish

for Information & Knowledge Management Professionals



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A Total Economic Impact™ Analysis Shows Return Possible Within A Year

by **Sheri McLeish**

with Kyle McNabb, Jon Erickson, and Charlie Coit

EXECUTIVE SUMMARY

Companies spend millions of dollars managing customer correspondences. Automation through technologies such as enterprise content management (ECM) enables businesses to churn out countless paper and electronic mailings, which are often never read. Along with increasing automation, today's customer communications must create new business opportunities. Evaluating the ROI of correspondence management proves that organizations can realize a return within a year by optimizing content production, consolidating vendors and systems, and reducing paper usage. This ability to realize a return on investment helps make customer communications management (CCM) software a good investment despite poor economic conditions.

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Forrester interviewed numerous vendor companies, including Adobe Systems, Aia Software, Assentis Technologies, EMC, HandySoft, Inventive Designers, Metavante, Oracle, Pitney Bowes, Thunderhead, and Xenos Software, as well as many end user organizations using and evaluating correspondence management. We used this information to create an ROI model based on our TEI analysis framework.

Related Research Documents

["The Total Economic Impact™ Methodology: A Foundation For Sound Technology Investments"](#)
August 4, 2008

["Market Overview: Document Output Management"](#)
February 8, 2008

["Give DOM Its Due"](#)
October 24, 2007

WHY CUSTOMER CORRESPONDENCE MANAGEMENT MATTERS

Customer correspondence management is a fundamental business function for enterprises across industries. From banking and insurance to healthcare, retail, travel, and government — whatever your field, communicating with clients or constituents through correspondence is a requirement.

But despite this core need, many companies have not fully leveraged new software capabilities to automate large parts of their correspondence processes — saving costs for document assembly and delivery, as well as adding flexibility to reuse content and enhance personalization. Along with gaining real dollar value through cost reduction, today's customer correspondence management software solutions enable more quantifiable upselling options that align a recipient's location, means, and interests to more viable offers. In a challenging economy, squeezing out pennies from processes and eliminating system redundancy can immediately impact the bottom line.

FOUR FACTORS DETERMINE THE ROI OF CUSTOMER CORRESPONDENCE MANAGEMENT

It is imperative to objectively evaluate the financial impact on business when considering the adoption or avoidance of upgrading correspondence management systems. How? Companies can use a simplified version of Forrester's Total Economic Impact™ (TEI) model to systematically consider:

1. **Benefits.** How will your company benefit from improved correspondence management?
2. **Costs.** How will your company pay, both in hard costs and resources, to upgrade or consolidate correspondence management systems?
3. **Risks.** How do uncertainties change the total impact of correspondence management on your business?
4. **Flexibility.** How does this investment create future options for your organization?

Key Benefits: Better, Faster, Cheaper

Organizations investing in customer correspondence management improvements can expect several benefits that derive from increased automation, better management of content, and vendor or data center technology consolidation. Organizations can estimate the scale, timing, and duration of these benefits by considering one or more key metrics and the value to the organization of improving those metrics over time (see Figure 1). Benefits include:

- **Compliance with industry regulations.** Industries like insurance and financial services especially benefit through greater control of customer communications to meet regulatory requirements, particularly because of the ability to quickly address new requirements and

provide an audit trail. Customer correspondence management software eases conformance around formats, provides workflow management for multilevel approvals, and has business process management (BPM) capabilities for additional business rules to address regulation.

For example, one US financial services company had a business unit that was required to do a full policy print run. Before upgrading its customer communication solution these policies were manually collected and collated to bring everything into a single print stream. After upgrading, they the firm created a standard data stream to ease the full document production and meet the new requirement.

“We now have full policy print — one print stream, one image archive, and one way to get mail out to the customer. One of the goals of ECM was to leverage our investment — we knew that our sweet spot wasn’t figuring out print to mail, so we found someone to do it and everything just sings over there.” (Senior application consultant, US financial services company)

- **Cost savings.** Cost savings from customer correspondence management start with the low-hanging fruit like reducing paper usage and costs associated with printing and distribution. Customer correspondence management, through integration with customer databases, helps reduce the mailings needed by better coordinating statement delivery with offers and other timely, relevant materials, and helps increase electronic delivery. Most enterprises today support multiple point output management solutions.¹ Consolidating legacy mainframe systems, data centers, and vendors also results in large ongoing cost reductions.

Reducing support costs also leads to major costs savings, particularly by transitioning IT ownership of templates to the business. One US insurer was able to realize dramatic time and cost savings in creating templates because IT was no longer part of the process.

“It used to take 10-plus days [to create a new template] and we would choose five to 10 letters for release on a six-week cycle. Now we’ve basically turned that to as little as one to two hours and usually no more than a day. In the past, template design had been done by IT developers — now it’s been sped up and put in the hands of much, much cheaper resources.” (Project manager, US insurance company)

- **Increased content efficiency.** All of the organizations that Forrester spoke with cited the dramatic reduction in time spent updating correspondence templates, usually from weeks or days to hours. Today’s solutions empower business users to manage template creation and changes, a benefit extolled by IT as well as the business. Consistency in correspondence design across channels and the ability to consolidate templates also streamline the content management processes.

For example, one global and healthcare organization with 40,000 employees was using 76 legacy systems to produce up to 1,000 documents a day. It took about a week to create a new letter and each new document resulted in a new template. The company consolidated 2,000 templates into 50 standard templates and an ad hoc letter template, reduced time to produce new documents by 90%, and put business users in control of content production. It was also able to enforce a consistent look and feel across the business and save more than \$500,000 annually in staff costs directly associated with customer communications.

- **Improved customer service.** Because of improved content control, customer service also benefits. Customer service areas often see reduced errors in customer communications, real-time access to customer documents, better quality documents, and increased relevance of marketing content. One large US insurance company indicated that along with redesigning and customizing statements that it has also been able to react better to last-minute business driven changes.

“We’ve been able to react to many last-minute business changes — probably too many — at the 12th hour. We’ll get the message, implement it, and be ready to run. It’s much easier to stop the process and update the message so we can have a very current message go out to the participants.” (IT output manager, US insurance company)

Figure 1 Key Benefits Of Correspondence Management

Dimension	Upgrading correspondence management software helps by . . .
Reduced compliance risk	<ul style="list-style-type: none"> • Enabling workflow for multilevel approvals. • Ensuring documents are stored and retrieved appropriately. • Supporting document formatting requirements. • Providing document audit capabilities.
Increased content efficiency	<ul style="list-style-type: none"> • Providing workflow and template management. • Consolidating number of templates in use. • Reusing content, rules, and variables. • Reducing document development time.
Cost savings	<ul style="list-style-type: none"> • Reducing maintenance and mainframe costs by retiring legacy systems. • Consolidating vendors or data centers. • Reducing paper, printing, and postage.
Improved customer service	<ul style="list-style-type: none"> • Providing customer service representatives with real-time access to customer documents. • Enhancing relevance of marketing opportunities. • Creating better customer experiences.

Key Costs: Integration Services Can Add Up Quickly

Organizations implementing customer correspondence management solutions can expect several costs to get up and running, particularly to assess the integration or recreation of content using the new customer correspondence software (see Figure 2):

- **Software licensing and maintenance.** The main software cost categories include initial software license start-up costs and ongoing fees for maintenance. If the solution does not provide its own composition tools, organizations must acquire or integrate design and authoring tools like Microsoft Word or Adobe InDesign to create templates. Often, organizations have already invested in these applications and use them with their existing solutions. Organizations that use Word templates with macros that switch to a solution with a proprietary composition tool can reduce Word template support costs.
- **Hardware.** Organizations often need new servers and system upgrades to implement customer correspondence management solutions. Typically, organizations need to invest in a database server and a production processing server (Windows, UNIX, or MVS) for production, quality assurance, and test environments, if they do not already have servers available. It's possible to run solutions on a single server, virtualized servers, or a cluster depending on what qualities are desired from the solution.
- **Integration services.** These costs can equal or exceed the costs of acquiring the customer correspondence management solution. Factors that increase the cost include the number of systems and templates currently in use to be consolidated. With mergers and acquisitions, organizations find themselves operating numerous legacy and mainframe systems and with hundreds or thousands of templates in use, identifying content owners and rationalizing content sources can present a big challenge.
- **Staffing.** IT and business unit staff required to support customer correspondence management systems often come from existing staff on legacy systems. Most of the organizations that Forrester spoke with realized staff reductions or redeployment as a result of their implementation.
- **Training.** Enterprises must plan for initial training costs for customer correspondence management systems. Many solutions employ Word or a Word-like interface for document creation, which can reduce learning required on the business side. Vendors offer online, classroom, or onsite training. Training ranges from basic to advanced covering areas such as document design, application integration, administration, and printing and publishing.

Figure 2 Key Benefits Of Correspondence Management

Project phase	Key costs
Initial implementation	<ul style="list-style-type: none"> • Software license cost • Hardware purchase price • Professional services and systems integration • Training
Ongoing costs	<ul style="list-style-type: none"> • Staffing • Software maintenance fees

44581

Source: Forrester Research, Inc.

Risk Analysis: A Mountain Of Content To Climb

No change — or avoidance of change — is without risk. Factoring this uncertainty into the analysis converts an optimistic and potentially unachievable plan into one with higher accuracy. Initial estimates can be refined by factoring in three key risks:

- **Underestimating effort to rationalize content.** The effort to reduce the amount of templates for correspondence means knowing what business uses. For some organizations this can represent hundreds to thousands of documents to go through. The effort to inventory content to migrate or recreate should force some sort of content rationalization. It can take significant time and resources to verify content owners, identify content sources, and account for all dependencies.
- **Skills shortage.** Staff with the right content management skills usually reside within IT for large enterprises, often in a forms and document management group. In some organizations a “middle office” team supports customer communications, composition, production, and printing, combining business and technical knowledge. Regardless of where the function resides, finding the highly specialized skills needed to support customer correspondence management presents a challenge.
- **System incompatibility.** Most system incompatibilities result from disconnects between the purchaser of the correspondence management software and IT support staff. Technology vendors generally provide explicit information about system requirements but may not support newer CRM systems; organizations must take into account the upgrade plans for all of the systems needed to run the software.

CALCULATING ROI FOR CORRESPONDENCE MANAGEMENT

To arrive at a quantitative assessment of the economic implications of customer correspondence management, Forrester evaluated the key drivers of benefits, costs, and risks for a hypothetical organization implementing a new system (see Figure 3). Based on numerous conversations with

customer correspondence management software technology vendors and users, we chose to use the following parameters:

- **A two-year window for analysis.** Our sample company, based on current funding policies, needs to realize a fast return and a desire to consolidate vendors. It evaluated a customer correspondence management scenario over a two-year period. During this analysis period, the first eight months were spent planning and implementing the solution, with the solution in use for the remaining 16 months.
- **Sales and marketing provide business sponsorship.** Project champions from sales and marketing drove the need to improve the quality of customer correspondences and improve its Web and email delivery channels. They have a strong desire to improve the speed of template changes and creation that currently take several weeks to implement.
- **Multiple correspondence solutions already exist.** A significant challenge for this organization is to change all of the existing processes to the new system. Currently, the organization has multiple legacy systems supporting customer correspondence for multichannel delivery, including mainframes.

This analysis assumes that the project begins on January 1 of Year 1 and continues until December 31 of Year 2. Based on reports from organizations initiating this type of project, the following phases will likely occur:

- **Investment phase.** This phase, lasting eight months, sees the bulk of the spending required to deliver the project. This phase includes internal planning, product selection, and implementation.
- **Initial benefits phase.** During the next four months, the organization will begin to realize benefits from the project quickly from simplified template creation and management, business process management improvements to introduce automation and greater customization, and optimizing document printing and distribution. Additionally, the initial benefits phase sees the transition from development to operations on the cost side.
- **Full benefits phase.** During the remaining 12 months of the analysis period, the organization will likely realize the full benefit potential of the project, subject to the risk factors defined. Likewise, during this phase, operation costs will also remain, although likely at a reduced run rate.

Figure 3 Model: Total Economic Impact™ Analysis Summary — Correspondence Management

	Y1	Y2	Total	PV
Benefit	\$2,369,184	\$7,107,551	\$9,476,735	\$8,287,268
Cost	\$2,323,667	\$620,000	\$2,922,510	\$2,624,821
Net cash flow	\$45,517	\$6,487,551	\$6,554,225	\$5,662,447
NPV	\$5,662,447			
ROI	216%			
Payback	Within 12 months			

44581

Source: Forrester Research, Inc.

FLEXIBILITY OPTIONS: MULTICHANNEL DELIVERY AND IMPROVED SELF-SERVICE

In addition to the tactical benefits described previously, organizations can leverage the infrastructure created by the project in future projects. The options, or flexibility, created by the project have a business value to the organization. In the case of our evaluation of correspondence management, the project created flexibility options in the following areas:

- **Channel flexibility.** Many organizations using legacy and mainframe systems have data stored in multiple systems to fulfill print, email, and Web channel delivery. Consolidating and integrating content used for customer correspondence provides organizations the flexibility to deliver communications in the most appropriate format and channel for a given customer.

“At end of the day there should be one form to be maintained once, a single source of truth in XML. We looked at the systems offered and our main goal was not so much to save money. It was more about the strategic creation — how to solve the problems and challenges for the future. We wanted to redefine our processes with our customers and our agents.”
 (Managing director of IT, European insurance and banking company)

- **Improved self-service capabilities.** Electronic forms let customers enter information to generate documents such as quotes, registration and enrollment confirmations, and many other requests that can trigger an automated workflow to enable fast self-service. Customer correspondence management applications make it easy to create forms and workflows to support the variety of correspondence that customers receive in response to self-service requests.

- **Revenue enhancement opportunities.** Most organizations that Forrester interviewed had only qualitative feedback as to the revenue enhancement achieved, but they did easily identify the benefits that would drive top-line success: faster time-to-market; more compelling, contextual, and effective customer communications; and superior customer experience and engagement. These benefits translate to overall better customer service and experiences, which drive loyalty and spending.²
- **Potential to extend solution to other areas.** The document and forms capabilities enabled by correspondence management software are useful for purposes beyond customer correspondence management. Features like easy-to-create templates and forms, multichannel content delivery, and data integration with CRM, ERP, and other legacy systems to generate documents can be extended to areas not part of the initial project or to other processes that have similar content requirements.

RECOMMENDATIONS

GET YOUR CUSTOMER CORRESPONDENCE MANAGEMENT ROI IN 2009

Most enterprises investing in customer correspondence management software realize their ROI within a year, often faster depending on the consolidation that takes place. I&KM pros should make their CIOs aware of how many systems and how much support goes into managing correspondence today, and understand marketing and sales' vision for customer communications. From the call center to your Web site, today's customer communications increasingly move away from paper to more interactive and dynamic channels. To prove your ROI in 2009:

- **Take a snapshot.** Cast a wide net to inventory where your customer data, content, and other elements of customer communications reside. Identify who creates, distributes, and manages the content, from IT, sales and marketing, to client services and document, forms, and printing functions. This is often the hardest part of an implementation and should be started today, before vendor selection, so that you base discussions about solutions on actual requirements.
- **Know your costs.** Find out how many systems and staff are in place supporting correspondence management. Understand how new templates are created and how long that process takes. Identify what efforts have already been made to reduce paper and how much more opportunity exists to redirect correspondence to an electronic channel. Identify your current costs for systems, staffing, software, and integration services, as well as printing and distribution, to understand the potential savings to be achieved.
- **Invite the vendors in.** Most correspondence management vendors have their own ROI calculators or case studies to provide comparable evaluations. If you approach them with a good idea of your requirements, you should have a sense pretty quickly of how long and

expensive the project will be and when you should expect to break even. In most all cases, organizations can achieve payback in less than a year.

- **Make a match.** Dozens, if not hundreds of vendors, target the correspondence management market. Look for the best fit in terms of what matches your user environment and desired state, taking into account the preferred authoring environment for business users, integration compatibility with existing systems, and the vendor's experience with your industry and similar implementations.

SUPPLEMENTAL MATERIAL

Online Resource

The underlying spreadsheet detailing the model in Figure 3 is available online.

The online version of Figure 3 is an interactive tool to enable firms to calculate their own ROI expectations for correspondence management solutions.

Methodology

Forrester Research uses a defined methodology for analyzing and evaluating the costs, benefits, and risks of a proposed solution. This methodology, termed Total Economic Impact (TEI), provides a holistic view of the decision by including an analysis of costs, benefits, flexibility, and risk. By including an assessment of risk, TEI provides a realistic view of expected outcomes, rather than one shaded by early optimism and enthusiasm.³

Unlike a cost- or technology-based analysis, TEI does not rely on industry averages or factors that are applied to all organizations, but is a methodology for evaluating projects. The TEI methodology forces the determination and quantification of relevant metrics in light of an organization's current state and future goals. Firms can use the TEI model as a proactive and predictive tool.

ENDNOTES

- ¹ A survey of 25 IT decision-makers showed that most support five to eight point solutions for output management. Some large enterprises Forrester has spoken with support upwards of 30 or more systems for correspondence management across the organization, often as the result of mergers and acquisitions. See the October 24, 2007, "[Give DOM Its Due](#)" report and Figure 3, "Organizations Struggle With DOM Strategy."
- ² Forrester's previous analysis of nine industries showed that good customer experience correlates highly to loyalty — especially when it comes to consumers' plans for making additional purchases. See the August 4, 2008, "[A Closer Look At Customer Experience And Loyalty](#)," report.
- ³ For an in-depth discussion of TEI and the individual elements within the methodology, please see the September 26, 2003, "[The Foundation of Sound Technology Investment: The Total Economic Impact™ Methodology](#)" report.

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Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

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