

# Data to Doormat

**Developments in IT, software, marketing and printing have seen business process outsourcers emerge as a new force within the mail stream. Michael Hershon examines the market, the key players and the forces driving development**

**T**HE TERM BUSINESS PROCESS OUTSOURCERS (BPO) is normally associated with large IT contracts and call centres. BPO's have now crept into the parlance of the mail stream as an increasing number of suppliers compete to outsource the components within the 'upstream' mail function – in effect all the steps in the process that precede the despatch of the document to the end customer. This is becoming an increasingly specialised business, driven by both new digital printing technology and smart new software. It is no longer necessary to have a substantial litho printing capability in order to occupy this space.

So, what is the difference between a traditional FM company and a BPO within the context of the mail? Mark Lee, Business Development Manager of R.R. Donnelley Global Document Solutions (formerly Astron) defines a FM company as "...an organisation who will go in and run a process by taking over the assets and people of an organisation, but traditionally manage it on-site".

"A BPO deals with whole processes, not a single service like cleaning or security" confirms Arthur Van Veen, Divisional Director of TNT Specialist Services "You take the processes off-site; bring them into a more industrial environment with all the scale and efficiencies of high volume". Finally, Martin Viquerat, Director of Document Services at CDMS sums up business process outsourcing as "the whole process, from the data, to the doormat proposition".

Communis is typifies the BPO model where the entire mail operation is outsourced to a new 'Greenfield' site. Dave Monks, Business Development Director of Communis, explains their plan in the light of major new contract wins from Centrica and HSBC. "Our business model is to run the client's operations in situ under a different ownership with their existing resources and equipment until our new premises are commissioned, and then to relocate. HSBC are one of our biggest clients and we migrate their consolidated operation in Bootle during Q2 '07. We are about to do the same with Centrica who have two sites - one in Manchester, the other in Northampton. We are going to run these two sites until Manchester is transitioned into Northampton at the end of March 2007 and then we are moving the consolidated operation to our new site in Speke at the end of December 2007".

Traditionally there have been two streams feeding the mail, Transactional Mail (Billing) and Direct Mail (Marketing). The former used to be the province of the finance director and the latter the marketing director. Direct Mail has always



been printed on litho presses in full colour whereas transactional mail has tended to be printed in black and white on pre-printed continuous stationary. Rapid developments in digital printing technology - both increasing speeds and reducing costs of colour - have stimulated what is known as convergence. This is bringing together of transactional and direct mail, using digital printers to apply unique messages on transactional documents and achieve a degree of personalisation that hitherto was not possible.

Behind these market trends lies a new breed of software products – data mining and document composition tools that have enabled new players to enter this space. Jarrod Green, Business Manager Corporate of MBA Group in Tottenham says, "Convergence is all about creating what's called a 'middleware' solution where you can ingest both marketing and billing data to produce a transactional document that incorporates compliance information as well as marketing information, but employs intelligence in the data formatting process".

Indeed some companies regard themselves as DPOs - Document Process Outsourcers - a definition which both TNT and CFH (Continu-Forms Holdings) use to describe themselves. As MD of CFH, Dave Broadway explains, "We provide clients with a document management work flow around their business which means the document is only produced in paper form at point of need".

In this new world IT resources are critical.

**Inkfish Services' ability to post as well as pre-sort mail within its operational facility is demonstrated with the consolidation with Domestic & General's standard tariff mail-to-mail sort 120 using Pitney Bowes sortation technology**

Everyone has access to the same software packages and digital printing machinery – the key differentiator is the IT development both at the data and document composition stages. The companies who are successful in this market all have in common that they have made a substantial investment in IT resources in relation to their size.

R.R. Donnelley Global Document Solutions, the largest BPO in the UK, has 200 people in its IT department with 90 of those employed in document composition. TNT similarly has 15 per cent of its workforce within IT. At the other end of the scale CDMS, a £25m (turnover) company has 40 people working in their data department and another 15 in IT.

The process starts with what is known as 'data intelligence'. This new breed of companies have sophisticated data mining services so that customer information that was previously siloed in transactional data bases can be extracted and used for marketing purposes. This is the first step in the personalisation process.

So who occupies this space? At one end you have the three large BPOs that are front of mind in most peoples' eyes. These are R.R. Donnelley Global Document Solutions £300m (turnover); Communis £250 m (turnover); and Williams Lea (acquired 75 per cent in 2006 by Deutsche Post) whose turnover is £150m. The next tier down includes a number of companies turning over around £10 - £25m and there are at least 20 or so in this space – examples include DSTI, Infish Services, MBA etc. The primary focus of these companies is transactional mail.

## Implants

There are three major suppliers of digital colour print machinery in the UK – Xerox, OCE and Kodak Versamark. IBM machinery is also strongly present but tends to be more in situ for traditional black and white printing. DSTI and Infish Services are both examples of BPO's that started life as 'implants'. In the case of DSTI it was taking over the function from GE Capital, for their credit card business, and with Infish Services it was Domestic and General, who are their parent company, for the warranty and service business.

Having these 'tame' in-house customers has clearly given them a springboard to

invest and build their business.

There are also different options available depending on whether the final printing is executed on reels (like the Kodak Versamark) or in cut sheet format (Xerox and OSE offer both options). John Godwin, Sales Director of Kodak Versamark explains the tendency to multi source. "A lot of people will multi-source because there are two ways of producing paper; it's either a continuous reel (all connected together) or cut sheet. Because of our speed, we do continuous. Some of our customers will have, perhaps Xerox cut sheet machines and are putting the paper cut already into the printer, like a copier. Our machine can produce 2,000 pages a minute in full colour with every page different"

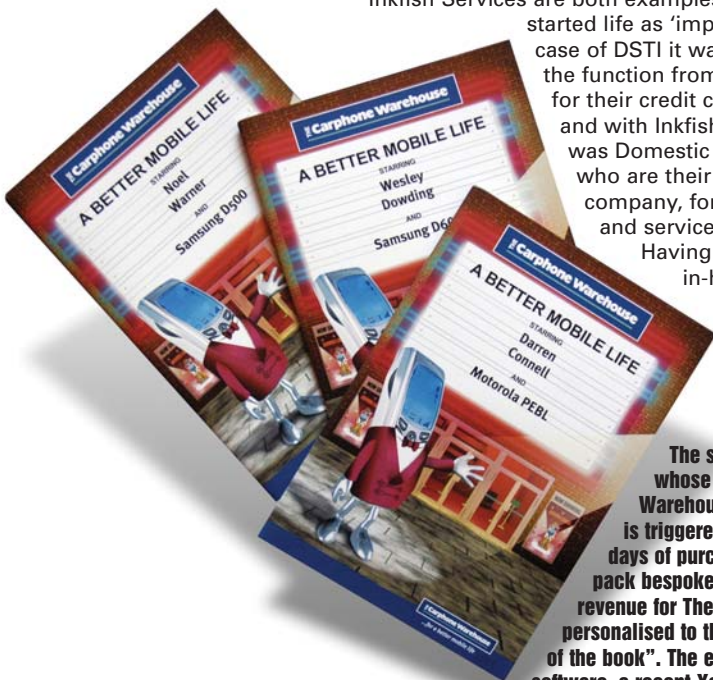
## Utilities billing

Another market stimulant is legislation change in the pipeline. The Energy Challenge White Paper produced by DTI in July 2006 signals pending legislation that will increase the transparency of energy costs for the consumer. It will require monthly billing (currently quarterly - that's a three fold increase in volume), regular current readings (replacing one accurate reading per year and the rest estimated), historical representation (using bar chart/ graphs and colour highlights) of customer useage against a 'typical house' for comparison, and the addition of personalised marketing incentives to encourage customers to adopt better energy practices ([www.dti.gov.uk/files/file32003.pdf](http://www.dti.gov.uk/files/file32003.pdf)).

What this is doing is driving a greater awareness of colour printing on transactional mail by energy utilities. Steve Berney, Business Development Director of OCE Business Services is enthusiastic, "It could have been written with OCE in mind. It designed to encourage customers to be energy conscious, and the bills must include graphic information in colour, that drives and informs the users how to conserve energy and also to be also more conscious of how much their bill is really costing them – in effect predictive billing information".

It is a source of concern in the industry that both Xerox (XGS - Xerox Global Services) and OCE run stand alone business services divisions that effectively compete with their own customers.

XGS have a large contract with Lloyds TSB. David Millican Head of Communications at Xerox UK explains, "Xerox are managing their marketing collateral, so if you go into a branch of Lloyds TSB and pick up a brochure, we will have managed the marketing collateral process for them. We've ordered it, liaised with the marketing team, outsourced the print and then got it into



The smallest BPO interviewed for this article is Inc. Direct – a £3 m business whose clever use of the new technology has enabled them to win the Carphone Warehouse contract. Inc. Direct produce a unique piece of direct marketing which is triggered by purchasing a mobile phone at The Carphone Warehouse. Within five days of purchase, Inc. Direct will despatch what is in effect a personalised welcome pack bespoke for the phone with cross selling opportunities, thereby generating further revenue for The Carphone Warehouse. Comments MD, Noel Warner, "It is completely personalised to the individual; every welcome book is different with over 25m combinations of the book". The enabler for this technology is the Xerox iGen3 driven by the new XMPie software, a recent Xerox acquisition from Israel.



the branch - so that's a critical process"

Martyn Viquerat of CDMS sums up the mood of the industry on this issue: "It disturbs me greatly". Most of the protagonists in the market, whilst expressing their concerns, tolerate it in a pragmatic fashion. Some BPO's prefer to go after their customers directly whereas others are willing to accept sub contracted business and are not so proactive.

Archiving is another service on offer. Also referred to as records management, comments TNT's Van Veen, "We manage the physical records, archives, paper and files, and we manage electronic data. The latest trend is to receive your mail electronically, to be scanned into the workflow. This in effect is the in-bound mail. TNT performs this function for financial services companies, digitalising all their documents. We also manage the patients' records for hospitals."

## Transactional mail

Given that the technology is the facilitator, most companies interviewed prefer to occupy the transactional space rather than the direct marketing space because direct marketing mail tends to be a lot more price sensitive and not subject to the longer term contractual relationships that are evident with transactional mail. Marion Caffety, the newly appointed MD at Capita Print Services, feels that direct mail "Is irregular and difficult to plan for". Gordon Samson Head of Operations at Williams Lea confirms the trend: "We're doing significantly more transactional than direct mail."

Linda Scott, Sales & Marketing Director at Stralfors UK, is very clear on this issue. "From personal experience I can tell you why it is. With transactional mail I can roughly forecast my business plus or minus 10 per cent. With direct mail I couldn't forecast two weeks hence, because everything was dependent on when the campaigns were going to be placed. You would get campaigns cancelled at the last minute or dropped on you at the last minute so, in terms of production planning, it was an absolute nightmare".

## Downstream mail

Most independent BPOs do not favour one particular mail operator over another. They will often be called upon to give advice and many do so, either using software they have developed themselves or one of the packages that are available on the market (e.g. One-Post). However, most BPO's act in an advisory capacity and the ultimate decision is taken by the end customer with whom the mail relationship sits. However, they do have a role to play in streaming the mail between the various mail services providers - increasingly software now has that capability. One example is Post-op from R.R. Donnelley Global Document Solutions.

The larger BPOs have started to differentiate themselves by employing production-based software, such as EMTEx, a recent acquisition by Pitney Bowes. Dave Thomas Sales and Services Manager, EMEA and Asian Pacific for Emtex explains, "Emtex fits right into production



intelligence. Our technology is scalable and the architecture is such that we grow along with the customer. It's like industrial strength software for the print world. The print production facility environment needs to be managed; data streams may need to be converted from say ASP to Postscript and there may be additional capabilities that are enabled to do mail sortation, clean mail etc, and that's the space at which Emtex lives - we're effectively middleware for the print space."

Samson believes that sophisticated software platforms (such as Emtex) allows Williams Lea to occupy the higher ground within the BPO space: "Where we really add value is the connections between the incoming information and the outgoing information. If we can connect the loop we can control and transform the way organisations actually manage communications.

"So we receive incoming mail, control consolidation of postal addresses, we then open that mail, and scan it onto our network. We then index that mail directly into our customer's mainframe and even to desktop level."

Clearly the technology has empowered many to enter this space, changing the face of traditional 'print and fulfilment' forever - only those with the requisite technical and IT skills will flourish in the new order of transactional mail.

**Taking processes off-site into an industrial environment with all the scale and efficiencies of high volume. Here, senior operator at TNT Document Services', Ashlynne Jones works with the new highlight colour printers**

● Michael Herson is managing director of The Strategy Works, a strategic marketing consultancy specialising in original business research and the enhancement of B2B sales processes. He interviewed 30 of the leading (mail) BPOs in the UK to understand the driving forces behind these developments and the options that are now available to companies who choose to outsource this function. [mherson@thestrategyworks.com](mailto:mherson@thestrategyworks.com) [www.thestrategyworks.com](http://www.thestrategyworks.com)

