

First Generation Outsourcing of Customer Communications Management

Regional Asian Focus



Abstract

Globally, the outsourcing of non-core business activities is a well-accepted strategy to increase business agility, lower expenses and provide improved customer experience and service quality.

This is particularly the case for transactional and direct marketing customer communications where the overwhelming majority of organisations around the world have been outsourcing customer communication fulfilment activities successfully. Within the Asian region, organisations have been slower to adopt this trend. However, Fuji Xerox has noted a significant upturn in the number of organisations seeking to outsource essential customer communications services.

This whitepaper is intended for organisations that are considering outsourcing Customer Communications Management (“CCM”) activities for the first time (first generation outsourcing). It provides background information to CCM and highlights the key considerations and activities that should be considered when organisations are outsourcing CCM for the first time, with a particular focus on the activities required to successfully outsource within the Asian region.

What is Customer Communications Management?

Customer Communications Management (“CCM”) is concerned with the delivery of capabilities that enable businesses to communicate effectively with their customers. CCM includes creative design; data integration and transformation activities; customer communications formatting; multi-channel delivery including printing and online services; and the storage and retrieval of historical customer communications. Customer communications that are typically fulfilled via CCM solutions include statements, bills, renewals, policy documents, letters, marketing documents and many other customer communications.

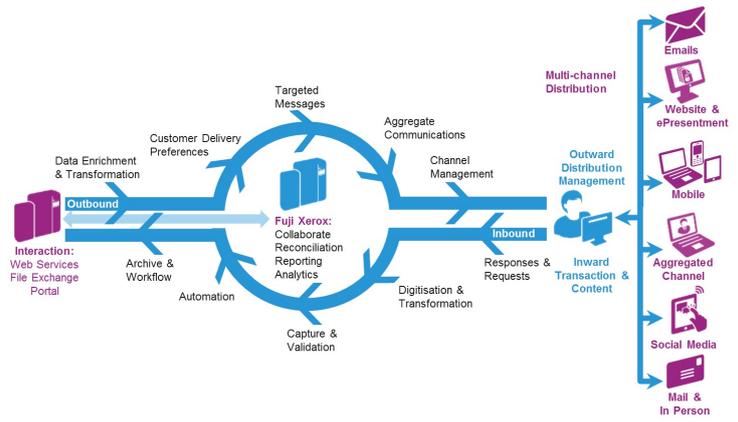


Figure: Fuji Xerox Customer Communications Management (CCM) Platform

The ability to quickly adapt customer communications to suit evolving business strategies, changing regulatory requirements and to deliver on marketing goals is critical. Many industries have been fast to embrace the delivery of CCM services under an outsourced model as it provides the opportunity to access more advanced systems and platforms than they could otherwise have achieved independently. This ensures that their organisational goals can be more easily achieved, gaining the best possible return from their customer communications and providing an improved customer experience.

Global trends towards an increasingly digitised world also mean that the number of delivery channels is increasing, leading to increased fragmentation of communication channels. Consumers will choose channels that are more responsive. For businesses interested in delivering a positive customer experience, supporting the delivery channels through which their customers want to communicate with them is critical to both customer retention and acquisition.

At Fuji Xerox Document Management Solutions (“Fuji Xerox”), CCM also includes the handling of responses and other inbound customer servicing requests. The delivery of an integrated outbound communication and inbound response handling platform provides the most significant opportunity for efficiency gains for our clients. However, in this whitepaper, we are only focussing on outbound customer communications.

Why do organisations outsource CCM activities?

The decision to outsource is most often driven by the following broad factors: reduction of expenses, gaining of access to increased capability and innovation, improvements in customer experience and shifting of focus to core business activities that will enable market growth.

Typical reasons cited for pursuing an outsourcing of CCM activities include:

- **Leverage economies of scale to access shared capacity and resources.** Fuji Xerox has made significant investment in people, technology, plant and equipment to ensure that they can offer their clients an improved CCM capability at a more cost effective price than can be justified internally under an in-source model. Fuji Xerox is constantly assessing and updating our technology platforms to deliver the best CCM capability possible. This includes both purchasing and deploying best of breed products and also developing new and innovative capability to address any market gaps.
 - **Minimise capital investment and consume services as a predictable operational expense.** Today, major organisations are required to find ways to minimise capital expenditure to meet financial objectives. Fuji Xerox has already made the investment in solution platforms that can meet organisations' CCM requirements today and for the future, enabling organisations to access this capability as an operational expense with minimal capital investment required based on a pay-as-you-consume service model.
 - **Obtain business improvements without competing for internal resources and priorities.** In today's business environment, there are always more projects with positive returns than people to deliver on those projects. Outsourcers scale their business to meet their customers' demand, enabling new projects, initiatives and changes to be implemented quickly.
 - **Gain access to specialised capabilities, technology and resources** than otherwise would have been possible internally. This minimises internal investment into non-core people and systems.
 - **Provides a higher quality of service.** Reputable outsourcers such as Fuji Xerox have made significant investments in technologies and processes that enable the highest level of quality to be provided. This includes investments in significant reconciliation, reporting and quality management systems, including the implementation of sophisticated file-based integrity systems for physical mail insertion that minimise the likelihood of errors.
- **Manage content delivery channel proliferation challenges and improve customer experience.** There is currently a proliferation of new communication channels. Some of these channels will succeed and some will fail. Organisations need to decide between supporting their customers' preferred way of communications with them or force their customers to communicate through non-preferred channels. Innovative outsourcers such as Fuji Xerox can provide easier access to these delivery channels to support organisations' relationship with their customers, and in a more cost-effective way than internal projects.
 - **Leverage best practices, continuous improvement and optimisation,** gaining the shared benefits of the core business focus on CCM that a specialist outsourcer provides.
 - **Enable business to respond quickly to changing needs** to meet objectives and achieve speed to market
 - **Avoid technology dependence and legacy product issues**

Why CCM is a strong outsourcing candidate

“Outsourcing occurs when a customer organisation transfers the ownership and operation of a business process previously performed in-house to a service provider in return for the service provider supplying services back to the customer on agreed terms. The transfer of the business process to the service provider normally involves the transfer of some or all of the staff, assets and contracts used to run that business process from the customer to the service provider.”¹

Customer Communications Management is a strong candidate for ongoing delivery under an outsourced model. Unlike many other outsourcing activities, Fuji Xerox is not aware of any first generation outsourcer of CCM that has transitioned the fulfilment aspects of CCM back to an in-house model. This is because many of the inherent risks that are often present in IT and business process outsourcing activities are minimised through the engagement of a suitable CCM outsourcing partner, including:

- Significant knowledge of business and back office processes specific to businesses are not required. Whilst all organisations differ in their business approach, the actual production processes for designing, creating and fulfilling customer communications are very similar for each organisation and are repeatable. Fuji Xerox has built a CCM platform that can be configured to meet each client's unique requirements, whilst including strong data integrity processes, reporting and reconciliation activities.
- CCM data processing activities can be highly automated and the minimisation of human involvement in the process reduces the opportunity for errors to occur.
- Transformational outsourcing to achieve a higher quality outcome, increased capability and lower expenses can be relatively easily achieved in comparison to a traditional IT “lift and shift” outsource approach.
- The printing and mailing production process is fundamentally a manufacturing process. In this regard, within Fuji Xerox, lean manufacturing techniques are implemented to access significant cost and quality improvements that are difficult to achieve without the scale that is offered by an outsourcer.
- Regardless of whether the delivery channel is physical or online, the CCM delivery process can be fully reconciled and easily measured against agreed service levels.

Considering from a global perspective, most organisations with a significant volume of customer communications have already very successfully outsourced their Customer Communications Management services to third party organisations. Fuji Xerox is a significant provider of outsourced CCM services, with almost a billion customer communication items processed per annum. Fuji Xerox has used our scale and experience across multiple industries to make significant investments in systems and technology to ensure that outsourcing risks

are minimised and that our capabilities are the strongest in the market. With this in context, first generation outsourcers of CCM to Fuji Xerox often has an opportunity to improve the quality of service delivered and address and minimise risks that may already be present within their business as part of the migration to an outsourced solution.

Historically within Asia, the market has been slower to outsource CCM services than global trends. However, with organisations now needing to increase their focus on core business activities to drive growth, ensure customer privacy and maximise data security, Fuji Xerox is noticing a significant uplift in the interest for outsourcing CCM services within the region.

1. ¹ Pinsent Masons – Outsourcing Guide: <http://www.out-law.com/PDF/Outsourcing-Guide2008.PDF>

Mitigating Outsourcing Risks

Today, the most significant factor in choosing an outsourcing partner by far is the minimisation of risk, in particular risks concerning data security, compliance and business continuity.

Fuji Xerox takes significant steps to minimise these risks and address any obstacles that may prevent our clients from achieving their goals through the outsourcing of CCM activities.

The primary goals for Fuji Xerox are the protection and integrity of customer data and continued operation of services to meet our clients' requirements. Data security is very important to us - it is our client's reputation and it is also our reputation. Our clients include some of the world's largest banks and they expect the highest level of data security. Many of them audit our policies, procedures, test our systems & controls and audit our data centres to ensure we meet best practice standards.

Organisations that are new to outsourcing will benefit from Fuji Xerox's past and on-going significant investments into servicing its existing client base. Organisations outsourcing for the first time can be confident that Fuji Xerox services are provided with the highest possible integrity and security, verified not by us but by all of our clients who continue to use us for their critical customer communications.

To ensure that our standards meet or exceed our clients' own internal standards, Fuji Xerox takes the following steps to safeguard the services offered to our clients:

- Fuji Xerox attained ISO27001:2006, Information Security Management System (ISMS) certification from SAI Global in 2006 and achieved re-accreditation in 2013.
- Our systems are protected by leading firewall systems in use at major banks. Vulnerability scans are performed regularly, as are annual penetration tests. Our network is segmented by firewalls. Internal and external user access is limited by segment.
- A business continuity capability is in place including secondary data centres, redundant infrastructure and services, data replication and nightly backups. The minimum data storage standard for data is RAID5.
- Fuji Xerox utilises managed file transfer technology with appropriate 2048 bit encryption as a standard. Secure data transfer is achieved through reputable industry protocols including TLS or SSL, HTTPS and Secure FTP. Where there is a requirement, data is encrypted at rest and on all back-ups.

- Fuji Xerox uses a combination of security controls to ensure the protection of our client's data, including but not limited to;
 - o Physical security,
 - o Controls over personnel and contractors,
 - o Data storage and encryption,
 - o Infrastructure, software and network controls,
 - o Policies, standards and procedures.

Organisations that choose to outsource services remain responsible for ensuring that the service is performed in a robust and compliant manner. The selection of an appropriate outsourcing supplier that understands this obligation is therefore critical to ensure that the obligations of the organisation are met with regards to protection of customer privacy and organisational reputation.

Managing Transition Risk

For first-generation outsourcers, the ability to minimise transition risk is a key factor to address, not just in terms of the minimisation of operational risks, but also with regards to how change is managed for the existing personnel within the organisation performing the CCM activities under the in-house model.

Fuji Xerox has transitioned clients from in-house CCM operations to outsourced facilities many times. This experience has enabled Fuji Xerox to build a transition framework that enables the fast and efficient delivery of a fully outsourced CCM platform with minimum disruption to existing CCM activities and the personnel that currently perform those functions.

The Fuji Xerox transition framework includes:

- A business case template for organisation to use internally for justifying the transition from an in-house solution to an outsourced facility.
- Standard data collection questionnaires that can be used by organisations' internal stakeholders to collect all necessary information to form a cost of transition and ongoing operational cost estimate.
- A third party ITSM audit certificate / statement of Fuji Xerox's IT and operational facilities to use in organisations' internal risk assessment.
- A standard Statement of Work detailing all of the inclusions, exclusions and assumptions that Fuji Xerox has used in the formation of the solution platform to meet businesses requirements.
- A standard Project Management Plan that defines Fuji Xerox's approach to the implementation and transition of CCM activities to Fuji Xerox custodianship.

In addition to these activities, Fuji Xerox also routinely considers:

- Purchasing existing systems and equipment that may be used within existing businesses to fulfil CCM activities
- Offering roles within the Fuji Xerox business to existing technology and operational personnel within businesses that are experienced with their CCM systems and processes.

The transition framework and other activities work to minimise the risk and timelines required to transition CCM activity to Fuji Xerox, in particular in terms of gaining the expertise that existing personnel have with regards to day-to day-CCM jobs and activities.

Outsourced Customer Communication Management Services

There are many components of a complete CCM solution for outbound customer communications. The Fuji Xerox approach involves integrating best-of-breed solution components to provide the most flexible and powerful solution to meet clients requirements. The integrated solution environment is configured to meet client requirements using a platform that allows client solutions to be configured quickly without the need for significant development and integration.

This approach has a number of benefits: it limits implementation costs for deploying a client to the platform, it allows the solution platform to evolve to meet emerging client requirements without the need to be dependent or beholden on a single vendor and it means that solutions can be configured according to the client's requirements. All these enable clients to choose only those CCM components that make sense for their particular business.

Although the list of services that can be provided can be very significant, the following services are the **primary production activities** for a typical CCM service:

- Data transformation and enrichment services
- Communication design and creation services
- Pre-formatted communications post-processing services
- Multi-channel distribution and content management capabilities

Two other key components to a successful CCM platform are a dedicated team of knowledgeable and specialist experts and enabling systems and infrastructure to support and manage the services provided to clients.

Expertise. A significant challenge for the continued operation of in-house CCM services is the ability to attract and retain suitable human expertise in a variety of roles including analysis, creative, programming, application specialists, testers, production operators, warehouse staff and so on. CCM Outsourcers have the scale, variety and volume of work to offer career paths to their personnel and in doing so, attract and retain the necessary talent for their businesses.

Enabling systems, infrastructure, processes, policies and standards. Beyond the production services that are provided to deliver customer communication services, a range of other capabilities are required to support a CCM platform, including MIS and job tracking systems enabling jobs to be tracked and reported on, IT orchestration systems enabling jobs to be appropriately configured for automated processing, standard reporting environments, standard reconciliation systems, warehousing and logistics platforms and so on.

Key Considerations when Outsourcing CCM in the Region

Depending on the industry that an organisation operates within and the country where its customers' personal data originates from, there will be different criteria that must be met before the organisation can outsource CCM services.

Key considerations when outsourcing:

- **Regulatory oversight.** Many industries have specific regulatory bodies and frameworks that organisations must adhere to if they wish to continue providing services within that industry. The most stringent authorities are often within the financial services market, whereby regulators insist that any outsourcer meet the minimum standards within the banking section. For the financial services market, assessment and permission from the relevant authority will often be required before services can be outsourced to prove that the outsourcing organisation has the appropriate controls in place to effectively manage an outsourcing vendor. Such authorities include Hong Kong Monetary Authority (HKMA), Monetary Authority of Singapore (MAS) and so on.

Fuji Xerox has significant experience in assisting organisations meet the requirements of regulators and can work with your organisation to streamline this process.

- **Data sovereignty.** In many countries, it either is or is becoming compulsory for all customer information to reside in the customers' country of residence (for example, in Taiwan, data sovereignty laws come into play in April 2016). This has a significant impact on regional organisations that may in the past have consolidated CCM processing to a single country, or for those organisations that used other country capabilities for disaster recovery and business continuity purposes.

Fuji Xerox can assist businesses to cost-effectively address emerging data sovereignty requirements by providing access to in-country outsourced CCM services throughout the Asia Pacific.

- **Personal data privacy protection.** Several countries in the region have relatively recently implemented personal data protection laws that obligate companies that manage personal data to protect that data against accidental or unauthorised access. Secure processing of consumer data whether provided through internal or third party capability is critical.

- **Choose a strong regional provider of services.** If your organisation operates across the region, the direct and indirect costs of vendor management are significant. The selection of a single strong provider of services for regional activity provides an opportunity to reduce direct costs under a single master services agreement with agreed commercial rates and also provides opportunities to optimise postage costs in each country. Indirect vendor management costs and the ability to standardise services, deliver improvements to CCM regionally and consolidate reporting across the entire region are also significant benefits that provide real competitive advantage.

Fuji Xerox is already a significant provider of outsourced CCM services and is further extending its in-country capabilities throughout the Asia Pacific region. The capabilities and footprint of Fuji Xerox provide the best opportunity for organisations to achieve success when outsourcing CCM activities for the first time.

About Fuji Xerox Document Management Solutions

A division of the Fuji Xerox Group, Fuji Xerox is a company with a focus on managing the total customer experience enabling our clients to deliver exceptional customer interactions in all their communications, whilst reducing the cost of delivery and increasing sales.

Our technology for print and mail, electronic document presentment, multi-channel delivery, document imaging and workflow management is recognised as world class. Our systems, processes and technology not only support current business requirements but also provide a framework for business transformation into the next generation of digital services.

Fuji Xerox manages over 60% of Australia Post's commercial mail volumes, over 30% of Hong Kong Post's business transactional mail, makes over 3 billion documents available online for our clients and our clients' customers and delivers more than 120 million electronic documents via web and email annually.

Fuji Xerox is expanding its services throughout the Asia Pacific region, taking advantage of the significant in-country presence of the Fuji Xerox Group already present in every country in the region.

Fuji Xerox Document Management Solutions have been providing outsourced CCM services for our clients in the Asia Pacific region for over 30 years. During that period of time, Fuji Xerox has helped many clients transition from insourced CCM solutions to best-of-breed outsourced CCM services. We look forward to partnering with you and helping your organisation achieve its business goals.

Visit us at www.dms.fujixerox.com

For more information or detailed product specification, please call or visit us at

Fuji Xerox New Zealand Ltd.

79 Carlton Gore Road, Newmarket, Auckland 1023
PO Box 5948, Wellesley Street, Auckland 1141
Tel. 0800 4 XEROX (0800 493769)

<http://www.fujixerox.co.nz>

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