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Marketing Knowledge for Digital Printing Executives

Playing to Passions with Quality

By Noel Ward, Executive Editor

New car buyers in Japan are known to run their hands under the edges of the bumpers, feeling for burrs and rough mold ridges. Finding such invisible but offending blemishes means the manufacturer lacked attention to detail and marks the car as being of less than top quality. Likewise, many Japanese are enthralled by the wares of such quality-exuding fashion designers as Armani, Fendi, or Prada. This passion for quality is embedded in the cultural DNA of Japan and extends beyond Toyota bumpers and designer fashions all the way to printed documents.

In misty Osaka, a handful of other analysts and I recently discovered how this penchant for quality drove the largest VISA card issuer in the island nation (over 14 million cardholders), to invest in 24 Xerox iGen3 digital presses to produce some 4.5 million monthly credit card statements. Regular ODJ readers may be aware of this massive installation of Xerox's premiere color press and I've been asked by more than a few commercial and transactional shops why anyone would specify the iGen for this duty. A good question, I've often responded, and this trip was a chance to find out.

Under the umbrella of Sumitomo Mitsui Financial Group is the Japan Research Institute (JRI), which in turn owns JAIS (Japan Information Systems), best described in North American terms as an in-plant service bureau for the bank. JAIS is charged with producing all the VISA statements each month, which are primarily laser imaged onto pre-printed shells. Like elsewhere in the world, generic, offset printed promotional offers are inserted into an envelope with the statement. The bank's VISA division, Sumitomo Mitsui Card, wanted to raise the bar, especially when



its archival, JCB, began using Kodak Versamark high-speed inkjet printers to print personalized newsletters in red, blue and black ink. While Sumitomo Mitsui already "touched" its customers through TV, radio, the Web, and in print, the only place they were absolutely certain they had customers' undivided attention was on monthly VISA statements. So the search began for the best digital press and software combination for delivering highly targeted marketing messages on cardholders' statements.

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As anyone with a bag of golf clubs in the trunk of their car knows all too well, the sport is one of the more addicting games on the planet. So, reasoned Sumitomo Mitsui, if we know a VISA cardholder drops 115,000 yen a year (about \$1,000) playing golf we should make sure that customer receives offers for Top-Flite balls, Ping or Callaway clubs, golf trips, and other golf-related items. Tap into any interest or passion for that matter, where customers are dropping serious yen, and cater to those yearnings.

But to do so, the offers had to project a quality image. Sumitomo Mitsui was, after all, the largest VISA card bank in Japan and the companies who would pay to advertise their products on the statement expected quality printing. So did cardholders. Research and testing of both color laser and inkjet print engines led JAIS and JRI to the iGen3. While its throughput speed was less than that of some other machines, they say the iGen proved itself to be *dantotsu* (head and shoulders above) other devices, meeting bank requirements for image quality, substrate versatility, print speed, reliability, and productivity. Sumitomo Mitsui agreed, and decided they would first roll out the new statements only to their most active and highest spending customers. This limited full-color monthly production runs to 4.5 million statements, or about 9 million impressions, since all statements are duplex printed. Because there was a tight print window each month—just 86 hours—24 iGens would be required to handle the volume, with a sufficient buffer to allow for



technical or mechanical issues. So the order was placed.

Behind the Curtain

Next came software, and they chose Exstream Dialogue to create 15 different page templates into which targeted messages could be placed to fire the passions of individual customers. The templates vary by the number, size and placement of the marketing offers and provide 300 possible page combinations. Just how those templates are filled is determined further behind the curtain. An Oracle da-

Tap into any interest or passion on which customers are dropping serious yen and it can pay to cater to those yearnings.

tabase houses customer “histories” that are mined using proprietary data modeling software. The software evaluates customers’ individual purchase histories, specific demographics and other characteristics to create numerical scores that drive which offers are placed in the statements. This way, not only do golfers and home electronics buffs get different offers, the offers are more relevant to individuals’ specific histories and purchase patterns. There’s even an algorithm ensuring that ads (which can be bought on a monthly or annual contract basis) for competing products don’t appear on the same statement. The scoring also assigns a purchase probability to each product being promoted so customers have a strong purchase likelihood for items shown on their statement—much to the pleasure of the advertisers. And yes, someone who is both a golf fanatic and an electronics junkie could well receive offers for both types of products.

About that Tight Print Window

Once JAIS and Sumitomo Mitsui Card got their ducks in a row it was time to make it all come together. The 24 iGens were installed in the JAIS facility in Osaka, 16 on one floor and 8 on another, creating the world’s first “iGen Farm,” a 21st century version of the DocuTech farms of the mid-to-late nineties. JAIS fired up the first production run in late July 2005 and 87 hours later 9,000,000 duplex images had filled the output stackers, on time and with no significant issues. It’s been running pretty much that way for the past year.

Still, with 24 machines running flat out for four days you’d expect a certain amount of deadline tension and even a touch of chaos. But you’d be wrong. The system we saw in June is so automated that the entire operation can actually be monitored by a single person. Only two operators are needed per shift for the 16 machines on the 8th floor and one runs all eight machines on the 7th floor. Their main task is the care and feeding of the big boxes, supported by a few Fuji Xerox service techs. An additional five people per shift are on hand to remove the completed statements from the output stackers, inspect print quality, and box them for shipment to a nearby mailing facility.



Jobs are batched based on the number of sheets of paper in a box—2500—and each has a unique job ticket assigned to it. With 4.5 million statements, this makes for a long print queue, but the small lots ensure tight control over quality and accuracy of jobs. It also facilitates load balancing, making it easy for jobs to be re-routed to another machine when necessary, and simplifies reprinting in the event of an error or jam.

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TransPromo or PromoTrans?

There’s been a fair amount of press and hype in recent years about the potential for adding such marketing pitches to statements. While companies like Sumitomo Mitsui and JAIS are actually doing it, this has primarily been a European and Japanese phenomenon, although the reasons for it not taking root in the U.S. can be hard to discern. The knee-jerk reaction is the higher cost, but this is at least partly a matter of perception and how the whole process is constructed. Since Sumitomo Mitsui charges advertisers for space on the statement (and ultimately receives a transaction fee for future sales) one VISA executive in Japan notes, “We no longer think of [statement] printing as cost per page but as revenue per page.” A very different perspective.

While the term “TransPromo” is being used to describe

this melding of document types, some at JAIS and Xerox are calling it “PromoTrans.” They say the difference is the tightly defined targeting used by JAIS and the high image quality delivered by the iGen make for more attractive and readable documents that draw recipients’ attention to the promotional offers, perhaps even before they pay attention to their statement info. There’s no quantitative measure of this, but a few facts coming out of the JAIS operation point to a win-win-win, no matter what moniker you give the process:

- VISA card usage among the top tier customers at Sumitomo Mitsui has increased. And there are indications that people who don’t presently get the full-color statements may be changing their card usage to enter the preferred group.
- Cardholders say the statements are “easier to read,” they are “pleased with the color and print quality,” and the additional offers on the statement are increasing their card usage.
- Merchants who advertise on the statements are seeing increased sales and view the targeted messaging as higher value and more productive than other media they are using. They say it is a “good partnership” between their businesses and Sumitomo Mitsui Card.

More to Come

The future holds even more targeted activities but Sumitomo Mitsui Card and JAIS are keeping a lid on their next plans to ensure they stay a few steps ahead of JCB and other competitors. They shared some of the things they have in mind and all I can say is that if customers and merchants thought customized statements are great, they are really going to like what’s coming next. *(continued on page 4)*

To a large extent these objections are really only excuses for not having the vision, imagination or the sheer *yuuki* to make the leap.

There is also likely to be more to come in the full color transactional vein from Xerox and the iGen3. JAIS is turning out to be something of a testing ground for just how hard the engine can be run and Xerox officials say it is taking advantage of the operation to further refine their flagship digital press. I suspect we'll see more on that before long.

My Take

I have to admit that before flying the Great Circle route to Japan and seeing this first hand I was a tad skeptical. And I've talked with more than a few others who argue that this kind of approach may be fine in Japan or Europe, but not in the U.S. Some say the market is too big.

Others claim privacy issues. Service bureaus say companies are unwilling to pay more per statement, despite the fact that it can be a revenue generator. Others cite logistics, data-mining resources, corporate resistance, and more. These remind me of the excuses U.S. automakers make as they continue to get their clocks cleaned by companies who care enough to grind down the burrs on their cars' bumpers. Now, after seeing the JAIS installation and learning how it works, I'm coming to think of these objections as excuses for not having the vision, imagination or the sheer *yuuki* (that's Japanese for chutzpah) to make the leap. Just because any of these challenges exist is no reason to not even try. What's going on at JAIS is certainly an audacious move, but as Benjamin Disraeli once noted, "Success is the child of audacity."



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