

Pitney Bowes – Transformation in Process

Last week, I traveled to San Diego to participate in Pitney Bowes Software's annual Industry Analyst Summit. I thoroughly enjoyed getting an update on the company's progress, as I first engaged with the business unit nearly 10 years ago, a few years prior to the start of the significant company-wide transformation that has occurred after the new leadership team came on board. What I learned is that Pitney Bowes is at an interesting inflection point, where the fruits of its digitally-focused and data-driven restructuring are beginning to overtake the remnants of its legacy SMB-focused mail business.

Transforming a 100 year old business is not easy, especially one that historically was based on a natural monopoly in slow decline – the mail meter. Yet today, it is clear that Pitney Bowes has evolved significantly – leveraging its strengths, while repositioning the portfolio to new growth markets that



are now delivering positive (and sustainable) revenue and margin growth.

I must admit, in preparation for the Analyst Summit – I was a bit taken aback when I first read the most recent quarterly earnings call transcript (in [Seeking Alpha](#)), in which CEO Marc Lauterbach emphasized that the “growth is centered broadly around shipping.”

What I didn’t fully understand then, and do now, is that the subtle shift in words – from “mailing” to “shipping” – has allowed Pitney Bowes to leverage its strengths and identity with customers, while significantly reorganizing itself to better monetize its core assets.

eCommerce On The Rise

At the heart of its transformation has been the growth of its eCommerce business, which collectively now makes up the largest share of revenue for the company. I look forward to learning more about this juggernaut when I attend the upcoming Retail (R)evolution conference it is hosting in Orlando in early May. But the net of it is that the company has built a powerful eCommerce and parcel management platform that provides end-to-end support for retailers – from customer engagement / experience all the way through to fulfillment. The recent acquisition of [Newgistics](#) – an innovative provider of package tracking / returns – is a big step forward for the company. While its eBay back-end fulfillment relationship was the early

catalyst that helped kick-start the firm's innovations a number of years ago, it now goes well beyond this – as it appears that Pitney Bowes can potentially become an important and cost effective logistics / fulfillment alternative to Amazon for a broad range of online retailers (especially in international delivery scenarios).

Bob Guidotti, head of the Software business unit, kicked off the Analyst Summit by emphasizing that PBs data assets will clearly help drive the future growth of the company. While the Software business unit has been focused on three key segments in the recent past – customer information, location intelligence and customer engagement – its emerging data-as-a-service initiative is a clear and visible reflection of its evolving growth strategy.

“Everything is Addressable”

Central to its data business are the 190 million addresses that it has in the US (which is substantially more than the 140 million that USPS has). When combined with its location intelligence data, and a variety of complimentary demographic and household data (as well as digital email addresses) that it has at its disposal, the firm now has an incredibly rich asset that can be exploited by customers – in what it is loosely calling its “Knowledge Fabric.”

In many ways, the broader business trend toward AI-driven decision making is clearly playing to PBs strengths. Interestingly, PBs ability to uniquely cleanse address-driven data – gives clients an amazing level of accuracy across a number of important use-cases in insurance, financial services, retail, telco and public sector. I can only imagine the impact that this data is having on their businesses, as they better target and price opportunity, or conversely, let the competition take on bad business.

I especially like the new messaging around the Knowledge Fabric, as it uses terrifically vague but compelling language that should help the business unit start conversations and engage with customers around the things that PB does well. The downside is that the concept is much broader than what PB actually delivers, which may confuse some prospects.

All-in-all, I came away with a very positive sense that PB is on the uptick, after years of entrenchment. The combination of its evolving data business (that leverages its heritage around “addresses”) with its targeted software business provides some unique differentiation in the marketplace – all of which will help fuel the firm’s broader eCommerce play.

No doubt, important brand awareness and channel execution challenges exist. I recently talked to several eCommerce and supply chain execs in my network, and PB was just not yet on their radar. I

would think that this awareness challenge would likewise apply to the marketing space, which will be critically important to PBs emerging channel-driven growth strategy. Building brand awareness that PB has evolved into a substantially different company will be critically important to their success.