

Document ROI: A Financial Perspective

*New document management solutions
can help CFOs meet two key responsibilities—
enterprise-wide expense reduction and
financial reporting*

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Executive Summary

Document ROI represents the measurable returns that come from investing in—and *effectively managing*—the document-related technology, processes, and people in the enterprise. Document ROI is not so much a financial calculation as it is a framework to put potential gains into perspective. It gives the most weight to the hard costs in evaluating the financial case, while making sure that potential benefits are considered in the design and ongoing management of the solution.

Many organizations have accumulated a costly “invisible infrastructure” of desktop printers that escapes corporate control. Simply by changing how they manage and output office documents, organizations can often achieve immediate, significant improvement in Document ROI through:

- Cost savings from rightsizing the fleet
- Reduced labor cost and improved cash flow from process improvement
- Contractual savings from vendor consolidation and service level agreements
- Revenue enhancement
- Simplified regulatory compliance

CFOs reviewing investment in document management will particularly appreciate the measurable reduction in supply and maintenance costs that comes with rightsizing a document output fleet. Lanier’s own Finance department reduced its total cost of ownership by 37% after making changes recommended following a document assessment.

In fact, the CFO—with a cross-departmental perspective, the overall charter to manage expenditures, and responsibility for reporting accuracy and regulatory compliance—may well be the best champion for enterprise-wide review of document management systems and practices.

Looking for the next wave of expense reduction

Organizations of all types have spent recent years implementing new information technology designed to improve customer service, generate new revenue, automate tasks, securely share information, and streamline transactions with suppliers. After addressing these larger opportunities, sometimes with mixed results, CFOs want to uncover new ways to reduce operating expenses. In many organizations, document input, storage, and output has been overlooked as a potential source of significant savings. Today, there are some solid reasons for CFOs to look more closely at their document management systems:

- Document output volume continues to grow, driven by broader access to information through the Web, email, and networks, plus the increased use of desktop applications that encourage document creation and color output. As a result, document-related costs are widely distributed throughout the organization. Accounting systems do not provide a tracking mechanism, and other controls may not furnish an accurate picture.
- Newer digital devices—such as multi-function products (MFPs) that combine print, fax, and scan capabilities—offer significantly lower operating costs, better reliability, and superior functionality, compared to installed printers and copiers.

Lacking enterprise-wide strategy or controls, many organizations have accumulated a costly “invisible infrastructure” of desktop printers. Acquired under the radar of corporate controls for a few hundred dollars, these inkjet printers have high recurring supply costs that are often buried in departmental budgets.

- Sarbanes Oxley, and its requirements for management reporting on internal controls, is also presenting new challenges to the CFO. In addition to their responsibilities for the preparation of process documentation, CFOs now must maintain strict controls over version changes, audit trails and management review of the documentation. Technology-enabled solutions range from enterprise content management applications to Web-based document repositories with tracking and audit features.

Industry analysts and solution providers put forward eye-catching estimates of the savings potential that awaits organizations willing to tackle document costs. But how do claimed reductions—which often include both hard and soft costs—relate to your business? This white paper takes a concrete approach, reflecting a CFO’s viewpoint, as well as Lanier’s decades of experience helping companies uncover their true document management costs, achieve savings, and improve business performance.

Discovering your invisible infrastructure

Lanier has been working in document management for more than 35 years. For most of that time, managing total cost of ownership (TCO) of document management systems was an administrative function typically in the hands of purchasing. The two primary areas of focus were hardware acquisition costs and operational costs—primarily supply and service. When large volumes of output were coming from a relatively few centralized printers, copy centers, and convenience copiers, it was easier to track and manage costs. There were fewer people in charge of creating documents. They were graphics, administrative, or word processing specialists whose primary purpose you could say was document management.

With desktop access to potentially millions of documents via the Internet, email, and internal document networks, user emphasis shifted—toward convenience, color, and personal control over the output. If the available systems didn't provide these benefits, there were low-cost personal printers that would.

Today, we find wide variability in how companies track their document-related costs. They tend to know exactly how many copiers they have and how much they cost, but have an uncertain grasp of printer, fax, and scanner numbers, as well as how efficiently these devices are being utilized. Even organizations with reasonably advanced purchasing and cost tracking controls may be surprised at the enterprise-wide cost represented by their actual document output.

It's easy to see why. Everyone likes having a personal printer, and no one wants to be the printer police. Each department has its own requirements and printing culture. For example, HR may focus on records privacy, while Finance prizes specialized formatting. A marketing department manages large outside print costs; in comparison, their internal printing and copying costs look negligible. IT has a system-wide view of print devices—at least those on the network—but the operating costs don't hit the IT budget. Plus, IT doesn't like dealing with printers, so there's a natural bias toward sticking with familiar technology, even when it's less cost-efficient to operate. Purchasing manages equipment leases and service and supplies contracts, but there's still wiggle room in countless miscellaneous office supply line items. Facilities Management tracks registered assets such as copiers and workgroup printers, but perhaps not the cheap printers that users can directly connect to PCs.

Section 3.0

All this equipment—and the related software—is often from different vendors; they may even be incompatible with each other. Service, support, and supplies are also spread across multiple vendors and contracts. Devices may not be well matched with the processes they support, with low-volume printers overworked and high-volume machines underutilized. Without a dedicated effort that gets down to the device level, it's hard to see the total picture.

A study by BERTL® (*Wake Up To The True Cost Of Printing*, Carmel Rowley, BERTL/Digital Times, 2000) cites cases where companies based cost calculations for consumables on documented printers. In one case, the asset register showed four laser printers; the independent audit found 48 printers. In the second case, 40 items were documented, but an additional 60 printers were uncovered.

With such a fragmented and inaccurate picture of document costs, organizations can easily overlook the extent of the savings opportunity. That's why we recommend a document assessment that looks at the entire fleet.

The Lanier white paper, *Enterprise Document Assessment*, details how to gain an understanding of actual costs in order to evaluate an enterprise-wide solution. The CFO—with a cross-departmental perspective, the overall charter to manage expenditures, and responsibility for reporting accuracy and regulatory compliance—may well be the best champion for such a project.

Document ROI: Evaluating cost-saving solutions

When evaluating an equipment purchase, organizations are likely to use total cost of operation, or TCO, which considers acquisition costs, plus the recurring costs of consumables, maintenance and support. It may also allocate energy and space costs. TCO is useful for comparing the current state with proposed solutions, but, as we have seen, without an in-depth study of actual costs there may not be an accurate baseline TCO available for comparison. In addition, TCO does not address impact on soft costs or the benefits of performance improvement that typically result from a rightsized and upgraded fleet.

Anyone selling a solution wants to give weight to these indirect cost factors, so hard cost savings quickly become inflated with generous estimates of soft cost savings and best-case benefits. Industry statistics often cite savings that are likewise loaded with hard and soft costs. What's the best way to evaluate these proposals?

CFOs generally want to see the business case built on hard cost savings. It's not that we disbelieve the other benefits can occur—it's just that they so rarely materialize in an easily measured, unequivocal form.

A broader concept than TCO, Document ROI, represents the measurable returns that come from investing in—and effectively managing—the document-related technology, processes, and people in the enterprise. Document ROI is not so much a financial calculation as it is a framework to put potential gains into perspective. It gives the most weight to the hard costs in evaluating the financial case, while making sure that potential benefits are considered in the design and ongoing management of the solution.

As a rule, when evaluating a document management solution, count the hard cost benefits you can directly observe and measure. The hard cost supply savings from simply rightsizing the printer/copier/fax fleet with more efficient technology can be realized across the organization, and very often will justify the investment. Service levels, maintenance, and resupply agreements can be restructured with a single vendor to reduce overall costs and provide more control. The online cost tracking tools available with some new systems can provide hard data reports that reliably validate the solution—or pinpoint where adjustment is required. For example, are users actually redirecting output volume to more efficient devices? Are cost-per-page assumptions being met?

Soft costs represented by network administration, system availability, cost accounting, infrastructure, training, and end-user productivity will be more difficult to measure—which means they are also more difficult to manage and sustain. Changing workflow, eliminating tasks, or redesigning a business process can result in real savings. But achieving these benefits may require ongoing management attention to people and processes after the change is implemented.

An in-depth document assessment should address these soft cost opportunities and make recommendations for improvement. It should also propose measures to establish the effectiveness of the solution.

Where to find the benefits

A document management solution can provide financial benefit in up to five broad areas discussed below. All types of organizations will want to look at the quantifiable cost savings of rightsizing, while benefits in other areas will be company- or industry-specific.

Savings from rightsizing. Benefits from rightsizing include hard cost savings on direct input costs such as paper, ink, and toner (see *Supply Costs Add Up*); maintenance and service agreement costs; or dollars spent on outside print services or express delivery of documents. Rightsizing also can result in reduced space utilization, lower energy consumption, sale of old equipment, and reduced demand for IT support, time spent collecting meter data, and scheduling service. However, these may not contribute to financial payback. There is no guarantee that the freed space or minutes formerly spent walking to a copier will be rededicated to value-creating activities.

See *Rightsizing the Finance Department Printer Fleet* for a concrete illustration of the benefits for just one department. The principles of rightsizing that worked in Lanier's Finance department can also be applied on a larger scale.

Savings from process improvement. A financial impact from process improvement typically comes from reduced labor cost. That means headcount reduction—when people leave the organization and aren't replaced. Often, departments will assume a process improvement produces a productivity gain because less time is devoted to the previous activity and the time will be reallocated to other value creating work. Unless there's a measurable increase in revenue as a result of the reassignment, there's been no impact on ROI.

Reducing cycle time is another way document-related process improvements may deliver a measurable financial result. For example, a more efficient workflow and faster statement printing might reduce the bill-to-cash cycle from 45 days to 40, with a corresponding impact on cash flow. Once the change is made, the benefits are recurring.

Contractual benefits. Organizations that have decentralized purchasing and use multiple suppliers may want to explore leasing, fleet management, or outsourcing strategies. Because the benefits of a particular strategy may vary based on your situation, it's best to perform the document assessment first. Use the analysis with potential suppliers to explore different contractual approaches. Ask them to assess the pros and cons of your preferred approach and be open to alternatives. Build flexibility into the contract to account for changes that may occur in your business, or to adjust solutions to meet performance goals. The biggest cost savings from a contract perspective is from centralized contract management, which allows CFOs to control the pricing, terms, negotiation, and expiration of equipment leases over multiple locations rather than leaving the decisions up to local personnel. Centralized contract management also streamlines administration and makes more effective use of eProcurement and other eBusiness tools available from some suppliers.

Increasing revenue. Establishing a direct connection between upgraded document management systems and increased sales will be challenging. Print shops and other print-for-pay operations can quickly and substantially increase color copy revenue by upgrading equipment. But in many cases, any estimate of increased revenue will have to depend on business judgment. Can a realty office close more home sales per month by implementing an email-enabled fax solution that lets agents receive documents immediately via laptop or PDA? Will higher quality customized color proposals help win more new business? When the new systems also deliver predictable cost savings, it's easier to make the call.

Regulatory compliance. Compliance with Sarbanes-Oxley is not optional for public companies, so the analysis will focus on reducing cost of compliance versus building a business case for the investment in document management systems. The regulations in Section 404 calling for management to establish, maintain, test, and report on its internal controls don't stipulate types of solutions, but digital document management technology offers advantages in the following areas:

- Making paper documents electronic for improved retention and control
- Tool for integrated annotations, hand-offs, and reviews
- Version control of documents from year-to-year
- Security levels based on need to know
- Tracking multiple remote editors working on one document
- Organized archiving of Excel, Microsoft Access, Visio, Word, and other work product files
- Sharing documents on a global basis
- Meeting legal document retention requirements
- Maintaining an audit trail as proof of senior management review.

Supply Costs Add Up

Desktop printers are by far more expensive to operate, with supply costs that are at least twice the cost of workgroup printers. Moving output volume from slower and inefficient desktop printers to properly sized and configured workgroup printers and MFPs is the surest way to achieve rapid cost savings.

Output Category	Area Coverage	Cost Range (cents per page)	
		Low	High
Desktop Monochrome	5%	2.0	6.5
Desktop Color Inkjet	20%	9.0	20.0
Workgroup Color	20%	5.0	12.0
Workgroup/Departmental Office	5%	0.8	1.5
Production Monochrome	5%	1.0	2.0

Source: *Best Practices for Copier, MFP, and Printer Fleet Management*, Ken Weilerstein, Gartner, 2003

Rightsizing the Finance Department printer fleet

In 2002, Lanier's Finance department undertook a thorough document assessment project. Using Lanier's DOCutivity® process, business analysts uncovered a set of issues that typify many office document management environments.

We had a veritable printer farm of locally connected desktop printers. A department of nearly 100 people maintained a printer/copier/MFP population of 80, plus 14 facsimile machines—plus the supplies inventory for different models. Most of these devices were low purchase-cost/high operating-cost printers used for personal printing. (See *Before* floorplan, page 9.)

Each month, we were generating nearly 200,000 impressions, mostly in black and white. A user might typically print a 20-page report on the personal printer, walk to a copier to duplicate the document one-sided, and then collate and staple the additional sets. In addition to the higher cost per page of the desktop printers, this workflow was clearly inefficient and didn't take advantage of advanced features such as duplexing and automated document finishing.

The solutions recommended by the assessment team took into account the workflow of the six distinct workgroups in the department while dramatically reducing the number of output devices on the floor. (See *After* floorplan, page 9.) We achieved a net reduction of 73 devices (13 retained, 75 removed, and eight new units added), while shifting significant output volume to higher-efficiency MFPs with a lower cost per page. Plus, we significantly improved color output capabilities by replacing three existing color printers with two higher-performing/lower-operating-cost color printers.

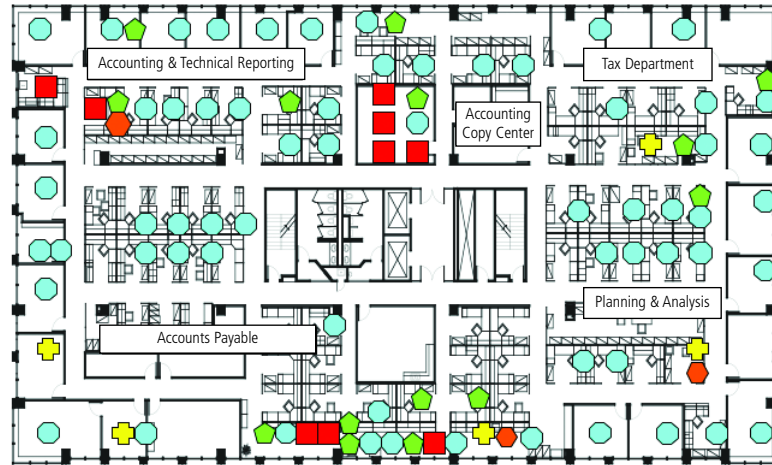
Within three months of implementation, we found the significant reduction in equipment cost, plus lower recurring supply and service costs, had resulted in a 37% reduction in TCO. At this rate, the payback period on the new equipment is estimated at 2.2 years.

Today, documents move faster. Space, supplies inventory, and power consumption are clearly reduced. We know what assets we have, how old they are, and how they are performing. Best of all, we continue to experience very high user acceptance and satisfaction, without which the desktop printers might have sprouted anew.

Finance Department Device Configuration, Before and After

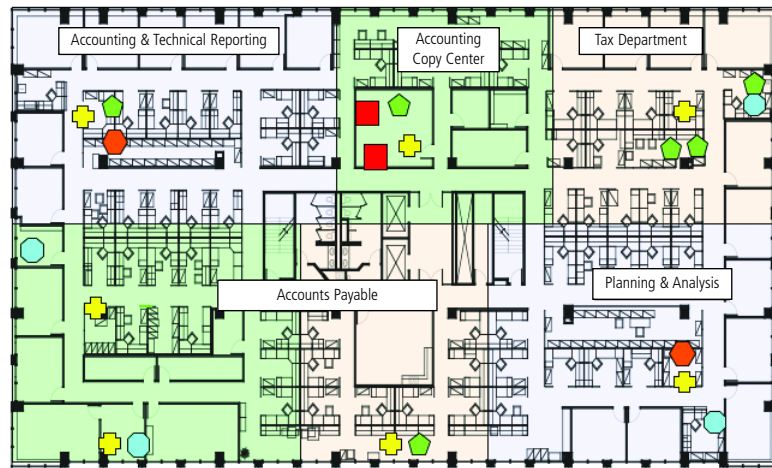
Before

94 Total Devices







After

21 Total Devices



Output Volume Change, Before and After

	Devices		Volume		% Change
	Before	After	Before	After	
 Printers	63	4	235,716	13,344	↓ 95%
 Copiers	9	2	2,182,524	977,076	↓ 55%
 Fax	14	6	22,176	7,464	↓ 66%
 MFP	8	9	124,704	1,670,952	↑ 340%
	94	21	2,565,120	2,668,836	

With substantially fewer devices and output volume shifted to lower-cost-per-page MFPs, TCO was reduced by 37%.

Conclusion

Document assessment is the first step to improved Document ROI. Because document management is integral to so many key business processes, an organization can benefit from addressing document costs enterprise-wide. But, as presented here, even a departmental assessment can uncover significant savings opportunities.

While Document ROI starts with accurate understanding of costs and appropriate solutions, ongoing management and support are critical to realizing the full benefits of document management technology. Look for a solutions provider that can also provide measurement tools, eBusiness solutions, and comprehensive service and support.

For more information

Lanier offers a comprehensive document assessment process called DOCtivity®. To learn about how it can help you improve Document ROI, visit <http://www.lanier.com>.

DOCUMENT ROI

**Lanier, a world
of difference**

The Lanier philosophy is embodied in Customer Vision®: a commitment we make every day. It means seeing the business through your eyes, responding to your needs and exceeding your expectations.



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