

Making the Case for a System i Forms Solution: Real World Cost Justification and Expected ROI



Executive Summary

Business documents define, structure, and regulate the foundational efficiency of any enterprise in any industry. And no matter what you do to streamline processes and reduce costs, your ultimate success will hinge on the production, delivery, and processing of transactional documents like invoices, purchase orders, order acknowledgements, MICR checks, and on and on.

Unfortunately, the traditional, paper-based methodology for creating and delivering documents is fraught with huge costs, chronic inefficiency and errors, and offers little flexibility. Still, many companies swallow these document management expenditures like bad medicine. They hate seeing huge chunks of time and money dedicated to inefficient work, but it's not like you can just stop sending invoices...

Fortunately, there is another option: electronic forms. Creating, distributing, and managing electronic forms can generate bottom-line savings while providing rapid ROI.

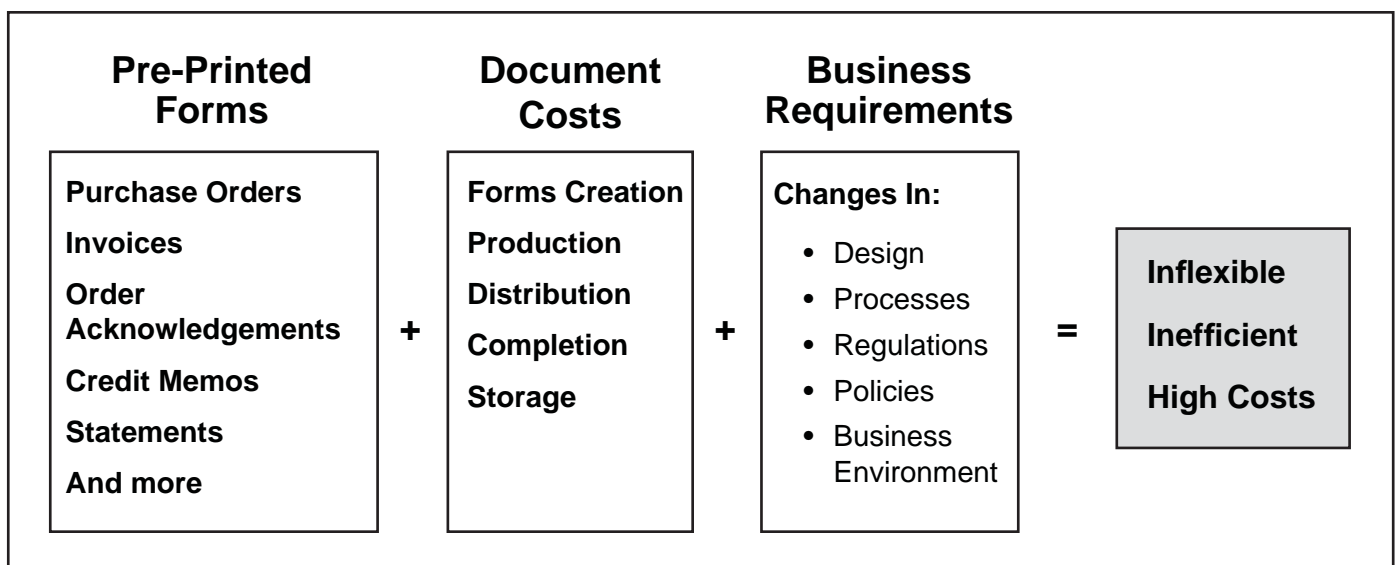
Unfortunately, generating accurate ROI takes more than looking at a quote from an electronic forms vendor that states how much you will save.

To generate a solid business case for electronic forms, you must consider the following:

Defining the Problem with Pre-Printed Forms

Hold a blank, pre-printed invoice in your hand. Have you thought about what that single piece of paper cost you? Consider the following:

- Concept and design costs
- Printing service expenses
- Warehousing & storage expenditures
- Resources and funds dedicated solely to production and delivery (toner, postage, envelopes, standing at manual fax machines, etc.)
- Time and money spent on human error
- The document processing cycle (how long it takes for you to get paid, fill an order, get a response from vendors, etc.)
- Waste & disposal. Meaning, a changed logo, address, or a new required field just transformed many thousands of pre-printed forms into very expensive mulch.



From what we've seen, that invoice you're holding can represent anywhere from \$8,000 to \$15,000 per year at a small to mid-sized company. At large, global enterprises that number can surge to \$75,000 annually per form type.

Even worse, traditional paper-based document systems reinforce inflexible, error-prone information workflows that, despite any investments in process reengineering, sabotage process and quality improvements. This negatively affects both customer and employee satisfaction.

To be blunt, the time and money you invest in pre-printed forms is, ultimately, an investment in being less successful, competitive, and responsive.

Defining the Solution

By automating forms-driven business processes and replacing pre-printed forms with electronic forms, a company can recover their investment in as little as three months.

That's because electronic forms allow you to integrate and automate the creation, delivery, and management of mission-critical documents into a highly flexible cross-platform infrastructure that sits under the fingertips of your authorized users as they work at their desktops. As you reduce the number of times you exit that infrastructure for manual, rigid processes and specialized equipment (pre-printed forms, line-feed printers, manual fax machines, etc.) the more you save in time and money.

Take another look at 'Defining the Problem' and the list of expenses and resources dedicated to pre-printed forms. An enterprise-level electronic forms solution will either eliminate or drastically reduce expenditures associated with each bullet item.

Paper Cuts: Hemorrhaging At The Bottom Line

To truly appreciate the ROI provided by electronic forms, you have to understand just how much money and time your company bleeds out due to traditional paper-based document management system.

The fact is that most companies keep old paper-based systems for two reasons:

1. They don't know how much they're really spending.
2. They fear negative ROI from the catastrophic implementation of a new "solution".

Reason #2 is a legitimate concern. But it's a little soon to talk about the new solution blues. We'll touch on avoiding these pitfalls in "The Implementation Trap: Don't Sabotage Your ROI!" In this section, we'll deal with reason #1 and help you put a finger on how much you're really spending on paper.

Assessing the cost of pre-printed forms is an eye-opening exercise. Because, most companies only see the tip of the iceberg when they think of paper costs. They don't consider that pre-printed documents force a company to retain countless inefficient, expensive systems and processes. Even more startling is the realization that these systems often stay in place without scrutiny because...

It's what you've always done.

This is hardly a rock-solid business case for retaining your current paper forms system. So, let's start building an argument for change related to how much you're really spending on paper forms. Consider the following:

Design & Printing

Money: This is easy to figure out. Just look at the number at the bottom of your printing company's invoice. If you order large quantities to save on printing costs, then you run the risk of document obsolescence. If you order smaller amounts to ensure that you never throw out a large quantity of outdated forms, then you're spending a lot more on printing. Either way, it's a big number.

Time: Think about how much time you spend meeting with your printer, weighing different design versions, and agonizing over picking the most timeless document design.

Production Expenditures

Money: How much do you spend to replace and maintain specialty line-feed printers? This includes toner, wear & tear, and support fees.

Time: How much time goes into keeping this machinery running correctly, and what losses do you incur when it breaks down?

Document Delivery

Money: Hard costs here include postage & shipping, envelopes, and labels. If you use a folding machine (or any other specialized equipment) to save time, then there are the maintenance costs for that machinery.

Time: Consider how much time gets spent separating, sorting, bursting, stuffing, folding, and mailing pre-printed documents. Add to that the amount of time spent sending documents using a manual fax machine.

Document Storage & Archiving

Money: What do you pay per square foot for the office space you occupy? Whether you rent, lease, or own there's a material cost associated with property. Multiply what you're paying per square foot by the amount of space consumed by storing old paperwork and warehousing pre-printed forms. Add to that the cost of purchasing and replacing filing cabinets. And, also add any special security measures (secure rooms, locks, alarm systems) required for sensitive documents.

Time: Think about how much time it takes to process, file, and find loose sheets of paper. Typically, this is one of the most drastically underestimated factors in calculating the cost of paper.

Document Loss & Human Error

Money: Almost every company has been forced to destroy thousands of pre-printed forms because of a new logo, address, or some other factor that makes forms obsolete. That's your money going directly to the landfill. You can also add the cost of documents that are destroyed through largely uncontrolled factors. Perhaps you decided to print 5,000 invoices overnight to save time during business hours, but the line-feed printer's alignment malfunctioned and now you've got 5,000 invoices with no subtotal.

Time: A single incorrectly filed form can cascade into significant productivity losses. Those losses build on each other as more documents get misplaced and have to be found. Also consider time lost to reproducing hopelessly lost documents.

As you can see, some of these factors are very easy to quantify, while others (particularly the 'time' expenditures) require research to generate informed estimates. Once you've finished gathering data, it can still be hard to combine everything and get a grasp on how pre-printed forms impact your bottom line.

To help you with this arduous task, we've created a special calculator that allows you to turn your company's current expenditures and time estimates into hard ROI data. You'll find an example of this calculator in "Hard ROI: Getting Down To Numbers". Also, we've created a detailed online ROI Calculator that allows you to plug in your own numbers to create an ROI report just for your company. To access this live, online calculator, go to <http://www.quadrantsoftware.com/formsroi>

How Electronic Forms Work & Pay You Back

This whitepaper is about value and ROI and not explaining technology. That said, a basic understand of electronic forms is required to fully appreciate how an electronic forms solution earns a return on investment. So, here's a quick primer that presents functionality with an emphasis on where the benefits originate.

1. Document Creation: The Spool File

All documents start as raw data (spool files) originating from your business application. In a paper-based system, this raw data is sent to specialty printers that create documents on pre-printed forms using a limited number of font and formatting options and no design options. Electronic forms offer a lot more flexibility. For example, during this phase your application data can be customized using spool file pre-processing software, which reformats data to cut document page counts by 50 - 75% while preserving or increasing readability. This cuts down on the use of printing resources (toner, paper, postage, etc.) while creating more efficient, professional forms.

2. Deliver Data to Electronic Forms Solution

Ideally, your electronic forms solution will automatically see your spool data sitting in the outqueue, grab it, and merge the data with a digital design template. This template populates form fields with spool data while adding graphics, bar codes, shading, signatures, font treatments, conditional data, and appearance formatting specifications. We use the term 'ideally' because different form solutions offer varying levels of automation and customization. A good rule of thumb is 'greater automation = greater savings'.

3. Document Production

While pre-printed forms must be produced ahead of time by an outside print shop and then created on dedicated equipment, an electronic forms solution only requires a laser printer and plain paper. Because the entire document design resides within the electronic forms solution, it eliminates the need for out-sourced print vendors as well as special equipment.

4. Document Delivery

In addition to the ROI provided by printing to plain paper printers, a feature-rich electronic forms solution can be directly integrated with enterprise fax and email solutions. This allows you to completely cut paper costs out of the equation while delivering mission-critical forms to recipients instantaneously and without manual intervention.

5. Document Archiving

Many companies employ archiving / imaging solutions instead of multi-drawer filing cabinets. While these solutions save space and make it easier to retrieve documents, they also require that each document be manually scanned and indexed. An electronic forms solution that integrates with your archiving imaging system will automatically create a digital document, index it, and file it into your archiving / imaging system. This saves tons of time while greatly reducing the potential for human error. It's important to note that not all electronic forms solutions offer this functionality. Ask before you buy!

While solutions and IT environments will vary, this description will apply to a majority of installations.

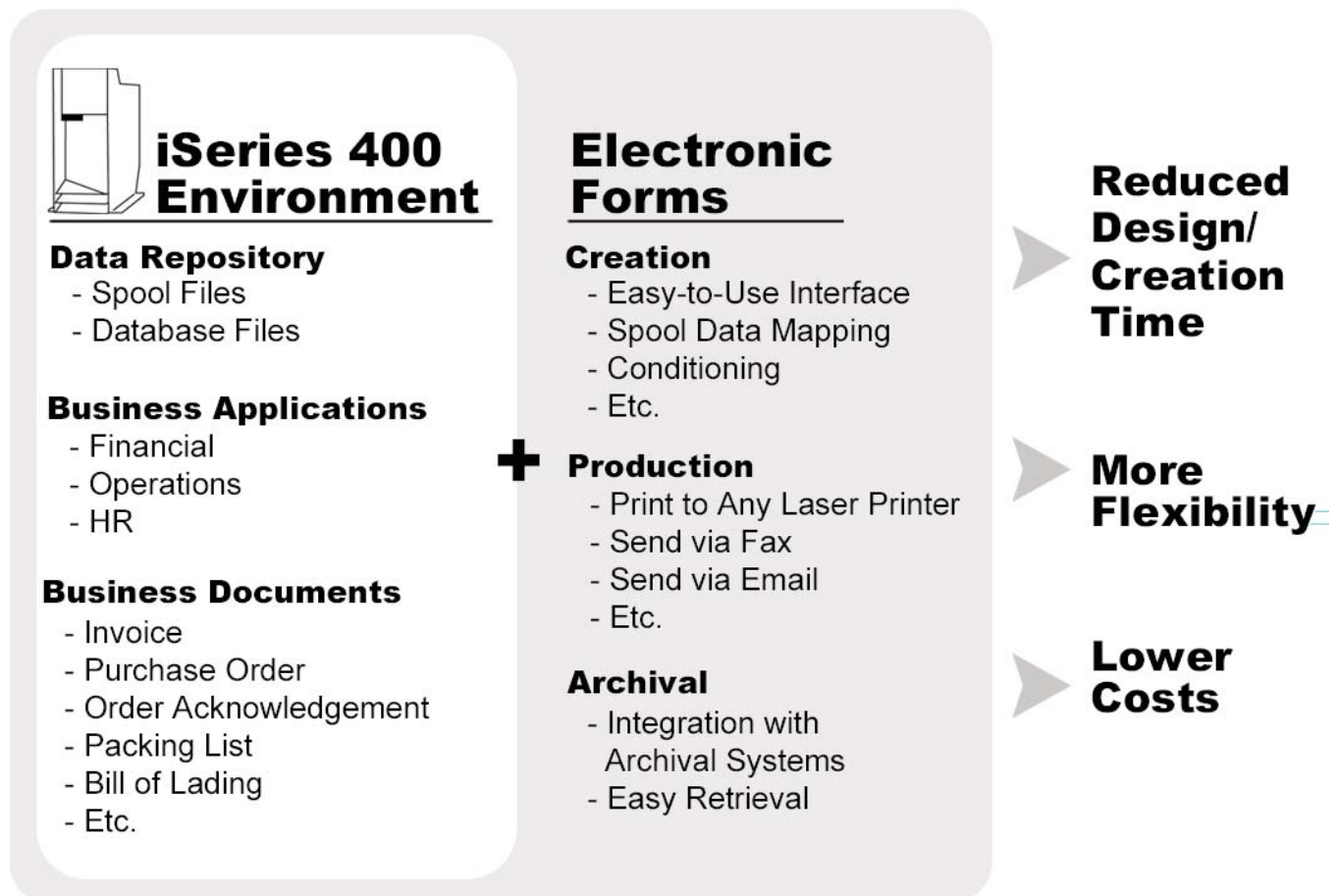
The most difficult part of describing how the technology works is the fact that most of the ROI is tied up in features and functionality which vary by vendor. What gets done automatically? What needs to be done manually? How does the solution balance flexibility and ease of use with security? The answers to these questions can vary greatly.

As we move into discussions about hard vs. soft benefits, we're going to focus on ROI provided by top-of-the-line solutions with full feature sets and a high degree of security and flexibility. Obviously, the up front costs for these solutions are significantly higher than their bargain-oriented competitors.

That said, the compromises you make in features, functionality, and support to achieve a lower price tag will also reduce ongoing ROI. Meaning, it could take just as long to pay off the initial investment, and once you do, long term ROI will be reduced.

Also, we've found that the vast majority of companies that invest in lower-cost, less functional solutions will eventually abandon their initial purchase in favor of a higher quality solution.

It's common sense. You'll get more ROI if you invest in quality the first time around.



Hard ROI: Getting Down To Numbers

This sample ROI calculator shows the kinds of facts and figures you need to generate accurate ROI numbers for electronic forms. In this static document, we've populated the form with sample numbers.

If you'd like to use this calculator with your own figures, then access our online, interactive ROI calculator. Just enter your own company's amounts and the calculator will automatically provide a customized ROI report. Just visit <http://www.quadrantsoftware.com/formsroi>

Forms Processing Details

Form Type

	1	2	3	4	5	6	7
Quantity of forms of this type generated per day	75	35	25	125	15	50	75
Quantity of copies for this form	1	2	2	4	1	5	6
Total forms and copies generated	150	105	75	625	30	300	525
Cost per pre-printed form	\$0.05	\$0.114	\$0.10	\$0.16	\$0.18	\$0.15	\$0.18
Minutes to burst, collate and distribute per form	2.0	2.0	3.0	2.0	3.0	3.0	3.0
Labor Rate per hour incl. fringe benefits	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00

Costs of Pre-Printed Forms (based on details above)

Total Forms Processed Per Year (250 working days)	250	100,000	▶ (sum of quantity of different types of forms generated per year)
Annual Labor Cost to Process Forms		\$47,000	▶ (sum of quantity of forms multiplied by time spent per form and labor rate)
Annual Pre-Printed Form and Toner Costs		\$13,000	▶ (sum of quantity of forms multiplied by cost per pre-printed form)
TOTAL COST OF FORMS PROCESSING		\$60,450	

Forms Cost with Electronic Forms

Cost of Plain Paper	\$0.005	\$2,036	▶ (cost of plain paper multiplied by total forms and copies generated)
Cost of Toner	\$0.006	\$2,715	▶ (cost of toner multiplied by total forms and copies generated)
Reduction in paper costs with a spool file pre-processor		50%	
TOTAL COST OF FORMS PROCESSING		\$2,376	

Annual Cost Savings with Electronic Forms

	\$58,07	▶ (cost of forms processing minus cost of forms processing with electronic forms)
Cost of Electronic Forms Solution	\$15,000	
PAYBACK IN MONTHS	3.1	

Soft ROI: They Defy Measurement...But They're Still Benefits

While building a business case for any new acquisition requires that you concentrate on hard ROI figures, it's shortsighted to only present those benefits.

Any proposal should also include the many non-financial benefits that are undeniably tied to an electronic forms installation. These benefits are hard to quantify and require a 'big picture' view of your departments, enterprise, and company.

Consider the fact that electronic forms will also produce benefits in the following areas:

- Meeting regulatory compliance requirements with ease (Sarbanes-Oxley, HIPAA, MICR banking standards)
- Improvements in communication between users and departments
- Shorter transaction and product cycles
- Greater customer & vendor satisfaction in more streamlined system
- Greater employee satisfaction and retention
- Improved competitiveness using a more efficient forms solution

These are the major soft benefits occurring within almost every company using electronic forms. Your company may add several other items depending on your industry, size, IT environment, and more.

The Implementation Trap: Don't Sabotage Your ROI!

We've all heard the nightmare scenarios. Company ABC finds the perfect electronic forms solution, makes the purchase, and moves forward with the installation.

And then the nightmare begins. The installation will affect so many systems that it will take months just to test and prepare for the switch. Once you start testing, you discover that some unforeseen disparity will require extensive (and expensive) custom programming. Increasing amounts of your time and your staff's time is consumed by keeping this one project on track. Once you do the installation and go live, all sorts of bugs and glitches rear their ugly heads and now you're spending vast amounts of time wrestling with tech support. And so on and so on...

Lengthy implementations will adversely affect ROI. Delays result in additional costs for employee time, custom programming, and excessive installation consulting. Even worse, the ROI you had projected keeps getting pushed further and further back.

This is the implementation trap, and it can be avoided by choosing an electronic forms solution that can be deployed as a series of smaller scale, discreet projects that individually promise ROI. Be wary of forms solutions that force you to switch all of your documents and delivery processes at once. Ideally, you want to design and test individual form types and roll them out gradually according to your schedule and comfort level.

In a nutshell, installing your new electronic forms solution should not cut you off from your previous, stable document creation and distribution processes. If it does, then you're asking for big trouble.

Other Critical Factors for Introducing Electronic Forms:

- **Application Integration:** An electronic forms solution needs to integrate seamlessly with your business application. This cuts down on installation issues, tech support calls, and increases efficiency for both end users and administrators. As a bonus, look for solutions that offer pre-formatted document templates for your specific application.
- **Post-Installation ROI:** Understanding and recording ROI after the installation is critical for determining your bottom-line success. Also, the benefits you record can be used to expedite future investments in upgrades, new features, and related technology.
- **User Acceptance:** Full staff acceptance and comprehensive usage is required to achieve your ROI goals. To prevent any resistance, it's important to choose user-friendly solutions and, where needed, provide training.
- **Scalability:** The electronic forms solution you choose must be able to expand and grow with your company. You may not want to print MICR checks now, but you could later. The same goes for bar code labels. Someday, you may want to integrate your forms solution into a fax / email system, or an archiving imaging system. The inability to integrate with different technologies and platforms is the equivalent to a brick wall for ROI.
- **Long-Term Availability & Support:** The other implementation nightmare is that your vendor goes belly up a month after installation. Make sure you choose a company that has a long history, a track record for success, and a strong reputation for customer support.

Conclusion

In a tight, competitive economy, not many IT professionals have the luxury of making major purchases because they know instinctively that it's the right thing to do. It's a fact...ROI is king. And being able to prove ROI is the only way most of us will get the tools we need to succeed and meet our goals.

To that end, we hope that this white paper makes it easy for you to gather and calculate the hard and the soft benefits associated with an electronic forms installation.

If you have any feedback or suggestions for future editions of this white paper, please email us at quadrant@quadrantsoftware.com or call 508-594-2700.

Additional Resources

For more white papers and resources related to selecting, purchasing, and implementing electronic forms, just visit: www.quadrantsoftware.com/formsroi/

Here's a sample of the documents available for download:

Implementing Electronic Document Distribution: Get Out of the Box and into Production

This white paper will walk you through the process of implementing every component of Electronic Document Distribution (electronic forms, fax, email, inbound routing, and archiving / imaging) in such a way that you realize ROI in the shortest possible time without disrupting any of your current processes.

Formtastic Advantage: Selecting an iSeries Forms Solution

This electronic forms white paper lists common and unique features that you should consider when comparing forms solutions. It also details how our Formtastic Fusion5 handles each feature and provides benefits and ROI.

Electronic Document Distribution: Better Documents. Better Delivery. Better Together

This white paper provides a detailed map on how to select and implement electronic and forms, fax, and email solutions with the goal of cutting costs, streamlining workflow, and minimizing platform and application integration issues.

Why You Need To Worry About MICR Check Security

Every business in every industry is threatened by check fraud...a crime that accounts for \$10 - 14 billion in losses per year in the US alone. Use this white paper to assess your threat level, explore different kinds of check fraud, and research strategies and solutions aimed at preventing check fraud at your company.