

Xerox Global Services

# Documents - An Opportunity for Cost Control and Business Transformation

Findings 2003





Documents - An Opportunity for Cost Control and Business Transformation

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# Foreword

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## Chapter 1 - Foreword

As part of our ongoing commitment to business efficiency, Xerox commissioned industry analysts International Data Corporation (IDC) to undertake a European-wide survey entitled: 'Documents – An Opportunity for Cost Control and Business Transformation 2003'.

You may ask why we did this, not only was it part of our ongoing research into the document space it was also a means to better understand the key issues facing business today.

Xerox has made significant advances, utilising our knowledge of documents, whether electronic or hard copy, to develop products, technology and a comprehensive range of services, to ensure that our offering in the document space is unique. We continue to support driving down cost and delivering process efficiencies for organisations in the key areas of document activity and within document intensive business processes.

We know that customers are key to any organisation, and just as we have ensured our customers must take our primary focus, we know that to achieve this you must look at all areas of your organisation and decide how they are best served; by your own organisation or with specialist partners. By so doing you can focus your resources on critical activities, leaving partners to deliver excellence in their areas of core competence.

In the current climate you should leave nothing to chance so I would ask that you read this report and the IDC White Paper and evaluate your business against the key findings and the checklists. Do you relate to the issues? Are they your core competence? Do you have the skills and process capabilities that will allow you to drive savings and re-engineer thus delivering organisational efficiency?

The survey is clear in one area, although the focus may be on customer service, productivity, efficiency and cost, European businesses are struggling due to a lack of a firm understanding of the processes and flow of documents within their organisations.

Every organisation considers its cost structure, trimming away at the fat to become leaner, fitter and more competitive. Yet the secret world of documents has never been scrutinised beneath the corporate microscope, which represents an opportunity to examine a major drain of corporate resource.



## Documents - An Opportunity for Cost Control and Business Transformation

How would your board of directors or shareholders receive this new opportunity? I am sure it would be greeted with as much enthusiasm and energy as it has been in other areas such as IT, facilities and HRM where outsourcing has delivered process and cost improvements.

According to the results of the survey, 45% of executives' time is spent with documents and 82% believe that documents are crucial to the successful operation of their organisation. The survey uncovers the fact that the majority of companies (90%) cannot estimate how much they spend on maintaining and producing documents each year. Almost three quarters of them admit that the information is unavailable or unknown to them.

These figures suggest that European businesses may be suffering from a kind of document process lethargy that not only undermines executive decision-making but also hides the fact that unknown and misunderstood document processes may be hiding some serious holes in the infrastructure.

Within this environment, Xerox continues to drive research around the world, pushing the boundaries in work practice studies, knowledge management, linguistics, web and document technologies. It complements and strengthens Xerox's depth of experience and history of document solutions for companies across the world.

But technological innovation is not enough. Companies also need to be innovative in the way they work, by transforming and streamlining processes to improve productivity and increase efficiency.

This management report sets out to show that many of the obstacles highlighted by IDC are surmountable, that document processes can be dissected, examined and improved and that European businesses can, and must, look to their document management policies for their next efficiency gains.

What should you do next? Start with an assessment and initial scoping by Xerox experts, and then you will see if we can deliver the same benefits to you as we have for many other organisations.

**Armando Zagalo de Lima**  
Chief Operating Officer, Xerox Europe



# Executive Summary

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## Chapter 2 - Executive Summary

European businesses are acutely aware of the importance of documents to their operations and of the need to properly manage the collective document environment, but they may not be aware of the vast range of immediate and potential cost and efficiency benefits available to them. What they appear even less sure of, however, is the need for a comprehensive document audit, content management assessment and measurement process that can leverage existing and future investments in document management technologies, re-engineered processes and services. As a result, many companies, despite their best efforts, are failing to realise their systems' full potential, and in turn improved productivity, better customer service, greater profitability and increased business agility.

It is time to stop making a “best effort”, as effort is irrelevant if you have a combination of the right people, processes and technology to manage your documents.

This Xerox Report reveals documents, described in far from exaggerated terms by the survey's researcher, IDC, as the company's life blood, to be a corporate blind spot. In short, it highlights a gap between senior European managers' acknowledgement that improvement needs to take place (half of whom believe their organisation requires more change in order to become efficient), and the ability or capability to implement new systems and processes that can measure the efficacy of document management strategies and show a true return on investment.

Strategies themselves are not in short supply – nearly 80% of companies say they have one in place. What's missing is application: nearly two-thirds of the organisations admit they are not tracking the total cost of their document process, even though the research suggests the average cost of that process to each company is over €1 million every year.

### **The report highlights further startling facts about documents:**

- 70% believe that poor document process management could impact operational agility, and 82% believe that documents are crucial to the successful operation of their organisation
- 97% do not know what percentage of their revenue is spent on documents and 90% could not estimate how much they spent on documentation with 95% of European organisations not able to estimate the cost of wasted or unused documents
- 45% of executives' time is spent with documents



## Documents - An Opportunity for Cost Control and Business Transformation

So why have organisations not seen this issue and acted on it? Perhaps because when things are in front of you every day, like documents, it is hard to take a step back and see their role. You see a document but you do not see the steps that made it what it is and the costs associated with it, nor should you, as the lifecycle of a document is complex and has multiple stages, which are disparate across the organisation.

Things do need to change, if documents are so critical and embedded in the way organisations work then documents cannot be allowed to fail and must differentiate the organisation in the way they support processes and communicate internally and externally.

### **As the report makes clear, organisations are eager to embrace change if it addresses their key challenges:**

- 71% have made major changes to their organisation in the past 12 months
- 52% do not agree that business transformation is often promised but rarely delivered.
- 49% agreed that their organisation required more change in order to become efficient

One of the potential barriers that emerge from the research is an ambiguous understanding of what precisely constitutes documentation. While 83%, 78% and 76% consider faxes, email and electronic files as documents, respectively, only 48% and 46% categorise web pages and multimedia content as such.

That lack of understanding and insight highlights one of the key findings of this report: European companies, despite their best efforts, are simply not geared to tackle the implementation, measurement and ongoing management of their document management systems and strategies.

Which in turn points logically to a requirement for external skills and resources, principally via managed, hosted and outsourced services providers. There may be some cultural differences between countries and sectors but outsourcing is still accepted practice across Europe with almost 60% of the organisations questioned in the IDC survey either outsourcing business processes or planning to do so.

What emerges clearly from the report is that, given the pressures on companies to improve business processes and address key challenges, changes in the way they manage documents are inevitable. What happens next is really up to the organisation. They have a choice, they could have the desire and skill sets to move forward alone or they can ask for help and look for an organisation that can provide real capabilities and skills in this area to transform the business. Every organisation should take a step back and look at documents, ask if their document management is a core competency and undertake an assessment – you may be missing an opportunity, it is time to stop and find out.

# Key Findings

## Chapter 3 - Key Findings

The IDC research uncovers the biggest challenges facing European businesses today. Against this backdrop, the research then goes on to reveal some key organisational challenges facing business. The role of documents in business is then explored in some depth; how companies define documents, what strategies they have in place for managing them and how their cost is measured. Finally, the attitude of business towards outsourcing is examined.

### Biggest Challenges Facing Business *(Figure 1.)*

- Over half (51%) of respondents see increasing profits/productivity as one of the top three biggest challenges that their company currently faces.
- Improving customer service is also seen as a high priority by almost half (45%) of the respondents.
- More than one third think that remaining competitive (39%), ensuring quality (36%), and cost control (35%) are major challenges for their companies.

### Most Influence on Business

- More than half (54%) of respondents said that their customers have the most influence over the direction that their organisation will take.
- A fifth (21%) of respondents stated that shareholders had the most influence over the company's direction.

### Organisational Challenges

- 57% of respondents agreed that any business transformation exercise must have productivity improvement as its primary goal. Only 19% disagreed with this statement.
- 52% of organisations disagreed that business transformation is often promised, rarely delivered – with less than a fifth (17%) agreeing.
- Almost half the respondents (49%) agreed that their organisation required more change in order to become efficient whilst only 22% disagree.
- 71% of the organisations surveyed say that they have made major changes to their organisation in the past 12 months; only 15% said that no change is required.

Q. What are the biggest challenges facing your company at the moment, please rank your top 3 answers in order of importance



Key:

First answer Top 3 answers

Figure 1.

**More than half (54%) of respondents said that their customers have the most influence over the direction that their organisation will take.**



## Documents - An Opportunity for Cost Control and Business Transformation

- Almost half the respondents (47%) agreed that improving white-collar productivity was a major challenge for their organisation – only one quarter (24%) disagreed.
- 45% agreed that a more flexible cost structure would make their company more agile – more than double that disagreed (21%).

*Almost half the respondents (47%) agreed that improving white-collar productivity was a major challenge for their organisation – only one quarter (24%) disagreed.*

### Defining a Document (Figure 2)

Whereas faxes, emails and electronic files are seen by most as documents, less than half recognise the term document to include web pages and multimedia.

Q. Which of the following do you consider to be a document?

### Managing Documents

- Over 82% of executives stated that documents are critical to the success of their organisation, of these there was an even split between those who agreed that productivity could be improved if they had more help dealing with documents and those that did not agree (39% each).
- It is interesting to note that a significant number of the respondents that disagreed that documents were critical to the success of their business (28%) agreed/strongly agreed that productivity could be improved if they had more help dealing with them.
- Over 70% of executives claimed that the delay in updating documents in line with business requirements would make their organisation less agile.

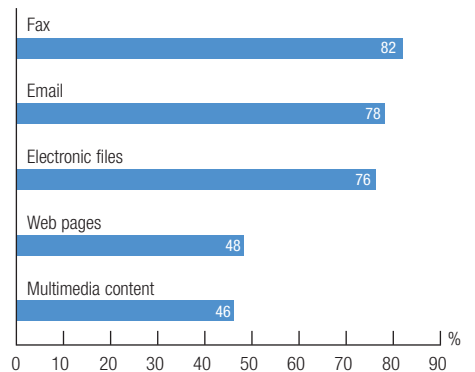


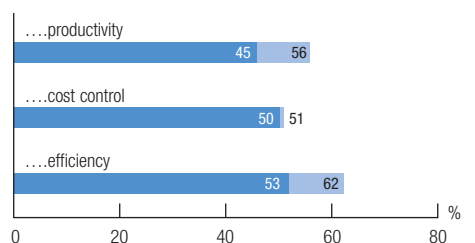
Figure 2.

### Strategies in Place

- More than two thirds (68%) of respondents have a document strategy in place.
- More than half (53%) believed that managing the content for different types of documentation (web pages, customer databases, marketing material, etc.) was within their current document strategy – about one quarter (24%) stated that this was outside their document strategy.

### Document management effectiveness at improving...

% Effective/very effective



Key:  
Organisations without a document strategy     Organisations with a document strategy

Figure 3.

### Document Management Strategy Effectiveness (Figure 3)

Whether organisations have a document management strategy or not, there is surprisingly little difference between the perceived effectiveness of it in improving productivity, cost control and efficiency.

# Key Findings

## Cost of Documents

- The vast majority (90%) of organisations cannot estimate how much they spend on maintaining and producing documents each year.
- 74% of these say that it is because this information is either not known or not available.
- A staggering 97% of respondents cannot estimate/do not measure what percentage of their organisations' revenue is spent on documents.
- 32% of European organisations claim that more than 10% of their printed documents are wasted. A further 40% cannot estimate the amount of wastage.
- 95% of European organisations cannot estimate the cost of wasted or unused documents.
- Over 60% do not know the response rate of their direct mail campaigns.

## Acceptance of Outsourcing

### By Industry Sector

- More than half (53%) the respondents agree that outsourcing is an accepted business practice in their industry sector.
- This was particularly the case amongst respondents from the finance sector where almost three quarters (73%) of respondents said that they agreed. A view supported by many utilities and telecoms companies (65%).
- One third (33%) of respondents in the public sector disagreed.

### By Country

- 62% agree that outsourcing is an accepted business practice in their country.

## Business Process Outsourcing (BPO)

### By Industry Sector

- About half (48%) of the respondents agree that BPO is an accepted business practice in their industry sector – one quarter (25%) disagreed.

Q. Can you give an estimate of how much your organisation spends on maintaining and producing documents per year?

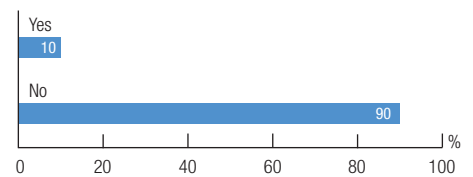


Figure 4.

**The vast majority (90%) of organisations cannot estimate how much they spend on maintaining and producing documents each year.**

**A staggering 97% of respondents cannot estimate/do not measure what percentage of their organisations' revenue is spent on documents.**

**Over 82% of executives stated that documents are critical to the success of their organisation,...**

**Over 70% of executives claimed that the delay in updating documents in line with business requirements would make their organisation less agile.**



## Documents - An Opportunity for Cost Control and Business Transformation

- Again respondents from the finance sector showed the highest level of acceptance (68%), supported by the utilities/telecoms and pharmaceutical industries also representing a majority at 59% and 58% respectively.

### By Country

- More than half (52%) the respondents agree that BPO is an accepted business practice in their country – only 17% disagree.

### Outsourcing Characteristics

- 29% of the respondents agree that the benefits of outsourcing far outweigh the risks.
- 41% agree that the current state of the economy is positively influencing their industry's attitude towards outsourcing.

### Outsourcing Benefits *(Figure 5)*

37% of respondents said that one of the key benefits of outsourcing was reduced and controlled operating costs – 21% of respondents said that this was the single most important benefit of outsourcing.

### Vendor Selection

- Technical expertise (85%), cost of service (83%), and financial stability (82%) were seen as important/very important selection criteria when choosing a potential services vendor.
- 84% of respondents said that it was important/very important for an outsourcing provider to offer cost predictability as a proposition.
- Security of company information (82%), cost reduction (82%), and operational flexibility during the lifetime of contract (81%) were also seen as important propositions.

### Measuring Success

- Timely delivery (88%), improved customer service (85%), and achieving corporate financial objectives (84%) were seen as the top three measures of success of service providers amongst the organisations interviewed.

**95% of European organisations cannot estimate the cost of wasted or unused documents.**

**About half (48%) of the respondents agree that BPO is an accepted business practice in their industry sector...**

### Outsourcing Benefits

In your opinion, what are the key benefits of outsourcing?

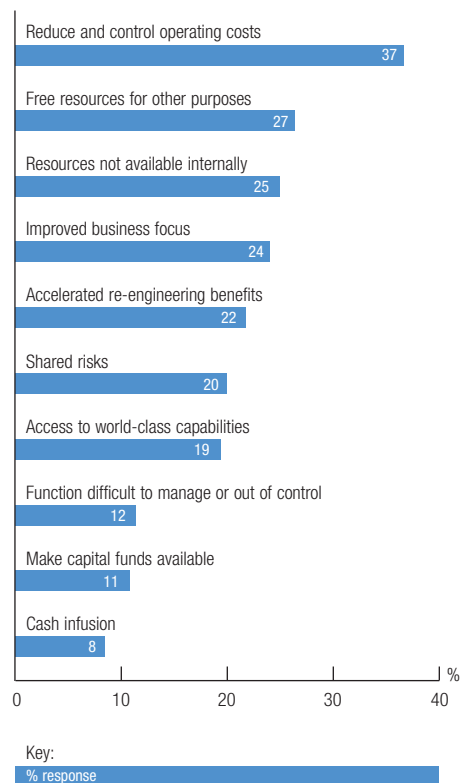


Figure 5.



# Meeting the Challenge

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## Chapter 4 - Meeting the Challenge

Unsurprisingly, the IDC survey shows clearly that European companies are still driven by productivity, profitability, customer retention and cost control. Organisations still change and evolve because in business there is no status quo. If change means re-engineering document intensive business processes, then companies may well benefit from reduced costs, heightened productivity and efficiency savings. However, European businesses are struggling to overcome the document dilemma that threatens to swamp organisations and potentially thwart their progress.

Regardless of industry, document control directly reduces costs in a business process, increases productivity, accelerates time to market, improves customer loyalty and employee motivation, thus strengthening competitiveness. Documents are an integral component of every business engine and companies across Europe are facing many of the same challenges.

### 4.1. THE BUSINESS MOOD, ENVIRONMENT & CHALLENGES

Surprisingly, whilst the current economy is still seen as a potential threat to business, the current economic climate is not considered the biggest challenge facing European businesses today. The top three major challenges facing European businesses are: increasing profits/productivity; improving customer service; and remaining competitive. Indeed, the majority of companies believe that the customer has the most influence over the direction that the organisation will take rather than shareholders or competitors. Ensuring quality and cost control are also seen as major influencers on future corporate success.

This backdrop of business mood clearly shows that European businesses are looking to get better at what they do and that addressing the customers' needs is key to their future success. The majority of the companies surveyed admitted that documents are critical to success and affect a company's agility and efficiency. However, only a small minority know what percentage of revenues are spent on documents or how to measure document cost – and here lies the overall opportunity. European businesses accept the critical nature of document processes to the success of the organisation but struggle to understand the real role and opportunities of effective document management.



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**4.2. THE DOCUMENT DEFINED**

The survey shows some confusion across Europe as to what is considered a ‘document’. Encouragingly, the awareness of electronic documents is on the rise but still one in four European organisations do not consider email and electronic files as documents. This may be the root of the problem – if you do not have a clear view of what you are dealing with then how can you really manage it and drive change?

To fully understand document processes European businesses should consider all documents – paper or electronic – within their document management strategy. Consequently, it is important for companies to have an understanding of the evolution of a document from creation to production to destruction and the resource involved in the process (see figure 6).

In order to introduce an effective document management strategy, a comprehensive evaluation and assessment of a company’s document processes, which includes ALL the company’s documentation both physical and electronic (including web pages) is needed.

If we look at Xerox’s definition of documents you may start to look differently at how you treat them as well as the importance you place on them.

A few years ago at the Xerox Palo Alto Research Centre (PARC), Xerox defined a document as anything intended for human consumption with a certain degree of “fixity”. That would include things printed on paper, signs, video tapes, even computer files, but would not include conversations. Even if you take a more narrow definition that focuses on the human consumption aspect then a document is a set of data intended for human consumption, independent of the medium.

Recent Xerox research has looked at how physical documents (especially printed on paper) get translated into electronic documents, and how The World of Documents (for people) interacts’ with The World of Data (for machines).

**4.3. STRATEGY & EFFECTIVENESS OF DOCUMENT MANAGEMENT**

*Working with Xerox – realising benefits.*

- **Using a knowledge and work practice assessment to streamline and improve its document publishing process, a government agency for trade support was able to increase customer satisfaction and double customer traffic on its Internet site.**

Xerox defines document management as *‘embracing process, methods, and technologies employed to handle documents throughout their lifecycle – from inception through creation, review, storage and dissemination all the way to their destruction – in ways that will serve an organisation’s mission-defined goals and objectives.’*

**Business Document Lifecycle**

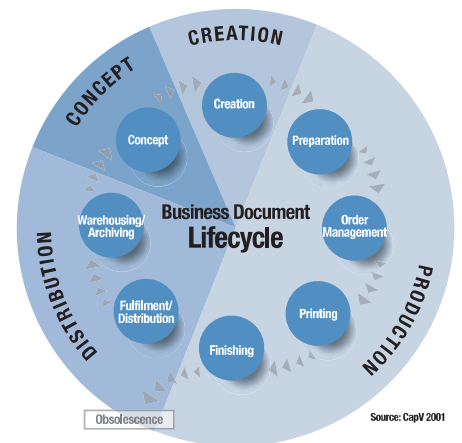


Figure 6.



# Meeting the Challenge

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More than two thirds of European organisations claim to have a document strategy in place and of these, 62% said it had been effective/very effective in improving efficiency. Ask any thought leader on strategy though, and the response will be that two of the key components of a strategy are costs and return on investments – if so many organisations have an effective strategy then how can it be that 97% are unable to calculate documents costs as a % of revenue and 90% do not even know the costs?

The invisibility of document costs, wastage, lost productivity and impact to the bottom line should be enough of an incentive to implement a document management strategy or to validate whether the one in place is really delivering.

Only the right combination of people, process and technology will guarantee tangible benefits and continuous improvements of the major business processes and their accompanying 'information supply chain'. A strategy is one thing; implementation and delivery of that strategy are another. Organisations may have the right ideas about document management but do they have the resources to fulfil them? Indeed, should they fulfil them if it is not a business activity or core competency?

Xerox has a proven approach to building and implementing an enterprise document strategy and by working with customers to build a strategy we can then be made accountable for delivering it, as the later section on outsourcing and vendor management points out, the desire to make a strategy happen is one of the key reasons for outsourcing.

## *Working with Xerox – realising benefits.*

- **A UK Finance Organisation had, in their words:**
  - **'No process which would facilitate enterprise management**
  - **No control of document costs in place**
  - **No single model developed post mergers/acquisitions**
  - **Process breakages**
  - **Of critical importance is the development & sustainability of savings & benefits – even those already in scope by purchasing.'**

**Xerox implemented a document strategy and took control of realising the benefits it highlighted.**



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**4.4 The Relationship between Document Management and Productivity**

*Working with Xerox – realising benefits...*

- **A large insurance company increased productivity of their information workers by at least 4% yielding an annual \$5.4m.**
- **An internet bank needed to automate critical document processes. Cash flow improved with the ability to bank \$30 million three days earlier by having an integrated imaging and presentment solution.**
- **A European telecom manufacturer worked with Xerox to implement an automated accounts payable process streamlining a critical back office function and improved supplier relationships and reduced operational costs.**
- **Based on a content management assessment, a company in the oil and gas business re-engineered its document processes and saved up to 20% engineering time and improved utilisation of its exploration and production equipment. Another company in the same sector improved document and content flow in several business processes such as accounts payable, plant maintenance, pipeline maintenance, and contract management resulting in 22% cost reductions.**

In any organisation, the document process touches everyone. The IDC survey has shown that 45% of executives’ time is spent dealing with documents. In terms of productivity, it is not hard to imagine the losses incurred if the document processes are wrong or, conversely, the potential gains if they are right.

Documents and their role within critical processes and the way they support the individual must be investigated. Organisations have not yet addressed the potential cost and productivity savings of their document processes. Given that most believe that any business transformation must have productivity as a core deliverable, European organisations clearly need to look at the various options available to achieve this. Bringing in outsourcing partners is an obvious place to look.

Xerox is able to re-engineer critical document processes. Our solutions are positioned around the document intensive business processes within an organisation and we have a proven capability.

Xerox is also able to bring in the document consultants and experts – ‘document advisors’ – to an organisation. Document Advisors have a simple but critical role; they are the implementers of a document strategy who support the customer in its development and then deliver the required results. This is a unique Xerox capability.

**Importance of Documents**

Every document has a **purpose**  
Every document has an **owner**



**Forms**



**Marketing and Sales Materials**



**Invoices and Statements**



**Office Printing**



**Operational Manuals**

Figure 7.



# Meeting the Challenge

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Document Advisors understand your document production requirements, and will ensure that they are met in the most efficient, flexible, timely, and cost effective manner within agreed service standards. With so much executive time and man-hours spent on documents each week, European companies need to ask themselves the questions: “Is this what we are good at? Is it what we want to do, now or in the future? Who could do it better? Are we world class?” The hours lost dealing with documents are hours perhaps better spent on core business, leaving the document experts to take control, increasing productivity both within your core business and throughout the various document processes. In an earlier detailed study into document costs by industry analysts Gartner, it was estimated that:

- Knowledge workers spend 30%-40% of their time on document management tasks
- Document management will cut wastage costs by at least 50%
- Introducing document management can therefore increase document management labour productivity by at least 15-20% per year

These figures do not take into account the additional productivity improvements through process innovation and outsourcing of business processes to specialist companies.

## 4.5 Where Can Our Document Strategy Contribute to Customer Service?

### *Working with Xerox – realising benefits...*

- **A French telecom provider improved document and information flow in its customer care centre with an estimated ROI of 12 months and outsourced part of it to Xerox resulting in increased customer retention by 30%.**
- **A Global consumer finance organisation implemented a client account process for credit and store cards delivering operational cost savings and increased flexibility to adapt to market and customer dynamics.**

According to the survey, customers dictate the future direction that European companies will take and improving customer service is the second most important challenge. An organisation has many points of customer contact. Whether it is through account management, billing or customer services, how your organisation communicates with its customers underpins your customers' perception of your organisation. How good, bad or indifferent the quality of that communication will determine the impact of that perception.



## Documents - An Opportunity for Cost Control and Business Transformation

Visibility of the entire customer communication chain can improve customer satisfaction and brand loyalty dramatically. Accelerating the handling of customer requests alone can improve customer retention by 30% and the improvement of information sharing among customer service employees can also reduce the cycle time to answer customer queries on the phone by up to 60%.

With a document strategy, European organisations can reap rewards in key areas:

- Re-engineering the means of communication and critical document intensive business processes
- Personalised communication
- Quality and consistency
- Handling of document queries
- Repository of customer information
- Faster processing of customer documents
- Reduced document costs and hence savings

Xerox is able to automate, own or provide solutions in each of these areas. Our technology is able to personalise documents so that every person you touch with a document feels it is individual to them. Our ability to automate key communications points speeds up the ability to react and meet a customer need or resolve an issue.

If the organisation is to be transparent to its customers, there has to be the highest level of quality. Ask yourself how much damage would be caused by the wrong bill going to the wrong customer, or a web page without the correct pricing? Conversely, having the right document processes in place presents an opportunity to learn more about customers, improve their loyalty, and differentiate against your competitors.

### 4.6 THE COST OF DOCUMENTS

#### *Working with Xerox – realising benefits...*

- **Implementation of a Document Advisor Office solution in a retail bank drove savings of over €15M per annum “...was another step forward in allowing us to control document spend in our organisation and to drive efficiencies in an area which is not a core competence. By handing control of this over to Xerox we are confident that we will deliver significant savings to the organisation, deliver annual benefits and gain control over a fragmented spend”.**

# Meeting the Challenge

- **Implementation of an office services solution for a global IT service provider reduced Office print costs by more than \$1M per annum on deployment of 450 devices and changed the way they work, enabling new processes to improve staff productivity. Xerox changed the way people work by extending the digital workplace to embrace the 'human' documentation interfaces and delivering a consistent global platform for digital documentation management.**

One of the most significant results of the survey is that the vast majority (90%) of organisations cannot estimate how much they spend on maintaining and producing documents each year and 65% do not think they are tracking all the costs associated with documentation. Staggeringly, 97% of respondents cannot estimate/do not measure what percentage of their organisations' revenue is spent on documents – less surprising given that almost three quarters of these say that the information is unknown or unavailable.

This lack of knowledge is all the more shocking when you consider other results in the same survey, which state that 47% of organisations claim their document process is centralised. Even where processes are centralised, organisations are still not confident that they have a handle on cost.

The Xerox value proposition for document costs is simple. The challenge on revenues is turning every organisation to inspect and drive down their cost base. This acts as a driver for growth and for many organisations a return to profitability. Typically the focus has often been on the usual cost targets – IT, headcount, facilities etc. but Xerox knows that the costs of documents are significant and more importantly not measured in an organisation. If you ask a corporate executive the cost of documents in their organisation, as the survey has highlighted, the likely answer is that they have no baseline for document spend. With no baseline they do not have any ability to drive savings.

The reason is simple, looking at the document output in any organisation you will see that it falls into seven silos, each silo has a set of people, processes and technology that mean there is no ability to measure the document costs (see figure 9). It is complex, hidden from view and spread across the organisation in such a way that even with a desire it would be hard to find the true costs.

Xerox's approach is simple, we have a portfolio of services that allows each silo to be brought under control and, by outsourcing it to an expert, control, savings and process benefits can be driven out. Most importantly Xerox has the end point vision capability and strategy to bring all of the silos under control, delivering an integrated set of people, processes and technology through the Document Advisor Office service, taking the savings and benefits to a new level.

## Delivering Shareholder Value

Q. Are your document costs measured and controlled?

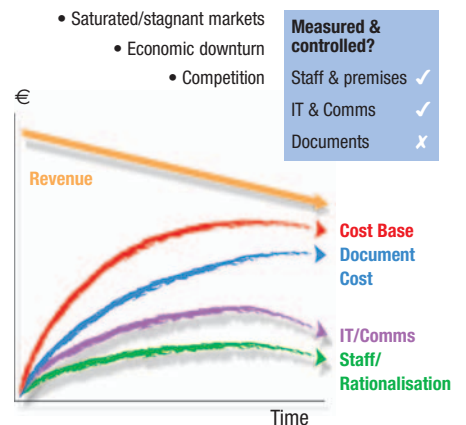


Figure 8.



Documents - An Opportunity for Cost Control and Business Transformation

The seven silos are;

- Forms
- Warehouse/Obsolescence
- Document Design
- Data Centre
- Central Reprographics
- Office Output
- Commercial Print

Most large organisations will have a percentage of their documents spread across all seven silos, whilst smaller organisations might only fall into two or three silo categories, such as forms and office.

*How do we Measure Document Costs?*

Having assessed the baseline spend, the next question organisations need to ask is whether the costs are significant and thus the prize worth working towards.

The IDC survey suggests that the average estimated annual cost of documentation amongst the organisations surveyed is over €1 million, per organisation, per annum. Xerox can measure the costs of documents by analysing and measuring cost and cycle time for document capturing, authoring, review, updating, storage, publishing, retrieval, distribution/sharing, and archival. Similarly, Xerox has its own model for document costs and savings, which shows that the ‘total cost’ of documents for major organisations can be anywhere between 5% and 15% of the organisation’s revenues with 10% of that directly related to output and the documents you work with everyday.

Most importantly by giving this spend over to an expert whose core competence is documents then you can realise savings of up to 20%, if you look at the chart, Figure 10, map your revenue and you will see the prize, not unsubstantial in its own right, it is even more worthwhile when you look at the significance of improving elements beyond pure cost.

*Document Costs and the Savings Opportunity*

As IDC points out, whilst other areas of the business may have been singled out for cost cutting exercises and examined for potential savings, until now document management has remained untouched. But costs of even 5% of revenues must grab the interest and attention of the accountants.

European companies are not tracking or tackling the cost of documents and claim that this information is unavailable to them. Xerox can drill down throughout the organisation and uncover the costs, hidden or otherwise and show you how to gain control and deliver savings of at least 20%.

**Key Silos of Document Spend**

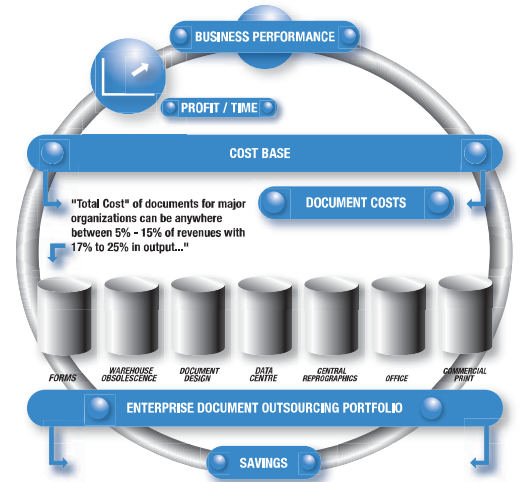


Figure 9.

**Document Costs and the Savings Opportunity**

Your revenue

|                     |      |       |       |      |      |
|---------------------|------|-------|-------|------|------|
| BUDGET/REVENUE      | 100m | 250m  | 500m  | 1bn  | 5bn  |
| DOCUMENT LIFECYCLE  | 10m  | 25m   | 50m   | 100m | 500m |
| OUTPUT COST         | 2.1m | 5.25m | 10.5m | 21m  | 105m |
| SAVINGS OPPORTUNITY | 420k | 1.05m | 2.1m  | 4.2m | 21m  |

Your opportunity

Figure 10.



# Meeting the Challenge

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## 4.7 As a key component of document cost, how do we reduce waste?

### *Working with Xerox – realising benefits...*

- A Swedish, telecomms giant, had a lack of control in its worldwide collateral production, a complex supply chain and large warehousing needs. Xerox took over the process and made 90% of brochures available on demand, reduced costs by 50% and cut warehousing space from 3000 sq ft to 800 sq ft.
- A major retail bank, for whom Xerox has implemented a document management strategy, achieved the following:
  - Inventory reduction of 47%
  - Commercial print spend reduced by 37%
  - Number of forms reduced by 32%

Over one in four respondents to the IDC survey estimated that 10% of their printed documents are wasted and 40% could not put a figure on it. Environmental issues aside, employing an inventory tool and document management experts can help dramatically reduce waste. The usual reason for waste is that there has never been a past and present usage analysis. Most organisations recognise that document waste measurement is not a core competency and if there is an area for outsourcing, this could be it. Waste can be measured by assessing the costs of publishing, printing, distributing, storing and destroying of excess documents which are outdated or not used in the quantities expected. Wastage is simply cost by another name, but it does need technology, focus and management resource to measure it, manage it and realise the benefits of lower costs.

## 4.8. OUTSOURCING

### *Working with Xerox – realising benefits...*

- By outsourcing, a large high-tech manufacturer cut manual development time by 40% through information reuse and print lead time from three to seven days to less than 24 hours, achieving: \$8m savings in annual printing costs; \$1.5m reduced obsolescence costs; print costs down 20% annually; \$600k annual development, translation & localisation savings. It was not their core competence but it was Xerox's.

Should companies be looking to outsourcing partners to get them through the document management maze? Well almost 60% of the organisations questioned in the IDC survey either currently use an outsource partner or are planning to do so.



Documents - An Opportunity for Cost Control and Business Transformation

Outsourcing suppliers need to focus on cost and operational stability if they are to satisfy the IDC survey’s audiences. With 37% of respondents to the survey saying that one of the key benefits of outsourcing was reduced and controlled operating costs and one in four appreciating the freeing up of resource or access to external resources, the focus on core competency would still appear to hold true.

Ask these questions in relation to any element of your business and put documents through the same question set:

- If starting from scratch today, would you really do it yourself?
- Are you so good at it that others would hire you to do it for them?
- Will tomorrow’s leaders come from this area of your business?

Answering “yes” to all three questions, suggests that this is your core competency and outsourcing is not even an option, if “no” then outsourcing is something you need to evaluate.

There is a mass of misconception surrounding outsourcing, primarily put out by those who have yet to dip their toes in outsourcing waters. Common misconceptions of outsourcing include:

- Outsourcing means – It is not important
- Outsourcing means – I do not want to be responsible for it
- Outsourcing means – It is out of my environment
- Outsourcing means – A quick way of reducing costs and nothing else

Outsourcing is far more than this. Managers in this day and age must be able to guide and lead business change and pursue the changes that enable organisations to cut costs, refocus their efforts on core business areas, and improve their productivity, all at the same time. Outsourcing allows an organisation to do just that.

As it becomes more and more arduous for firms to differentiate themselves in the market and gain a clear competitive advantage, executives must re-evaluate their business’s core mission and activity area and find ways to concentrate its resources on the core functions and processes of its business that add the most value for its customers and shareholders.

The outsourcing of various business processes and functions enables organisations to lower their cost structures, focus their resources and efforts on their core business areas, whilst realising significant improvements in their departmental synergies and long term competitiveness in the market.

**Outsourcing Decision Making Process**

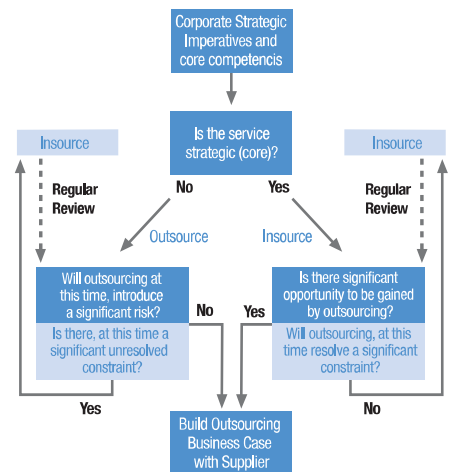


Figure 11.

# Meeting the Challenge

## 4.9. VENDOR SELECTION

**“Xerox Business Services’ strategy in the document outsourcing market is clear, offering customers value-added solutions exceeding the mere mechanical production while at the same time creating significant cost savings for their client base. They continue to be market leader in document outsourcing and facilities management in Europe”. Cap Ventures**

### *Working with Xerox – realising benefits...*

- **Regulatory compliance was an issue for a major global car rentals firm, they outsourced to Xerox a critical area of their business and implemented a global imaging, retrieval and archive solution.**

European organisations looking to outsource cite technical expertise (85%), cost of service (83%), and financial stability (82%) as the most important selection criteria when choosing a potential services vendor. Not only that, the majority are looking for some form of predictability. Other important propositions quoted by the majority of those questioned in the survey included the safety and security of corporate information, cost reduction and operational flexibility during the lifetime of the contract.

These are clear signals from European businesses about what is expected of their outsourcing partners. They want competent, financially stable, reliable and trusted organisations that will provide low cost of service and remain flexible throughout the contract term. Most importantly they want results.

Xerox knows that improved customer service, a timely delivery (to budget) and over-achieving the customers’ financial objectives are the top three measures for success.

The model we run to ensure we add value is comprehensive and gives our client base, of 1,500 outsourced contracts across Europe, the re-assurance that we will continue to deliver the results, bring innovation, transform their business and confirm their decision to outsource was the right one.

## Outsourcing Lifecycle

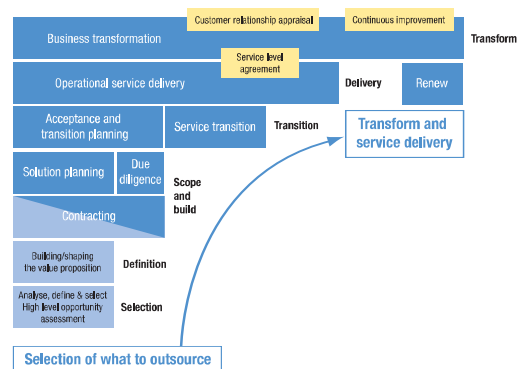


Figure 12.



## Documents - An Opportunity for Cost Control and Business Transformation

### Chapter 5 - Next Steps

Having decided upon action, someone needs to own the document process and this ownership and responsibility should be a Board issue. As in any outsourcing contract, sponsorship to drive change is critical.

The first step on the road to document process recovery is an assessment – a discovery phase and overview of a business's current position, which will form the foundation for all future document process delivery. A full evaluation of the nature and scope of how documents, and content within the documents, are integral to the way people, the organisation and processes work is the key to understanding. A holistic view reveals where the opportunities for improved productivity, better cost control and improved customer service could be. Subsequently this evaluation leads to a more detailed analysis, business case and an implementation plan. As IDC suggests, there are several key steps to be taken to analyse the current position and these include:

- Find out what costs are currently being tracked or captured if the costs are not measured
- Raise awareness of document cost and examine areas which have hidden spending
- Understand which of the hidden areas can be uncovered and quantified
- Examine document procurement and supply chain management processes
- Understand what documents need frequent archiving/retrieval and what impact this has on the business
- Benchmark costs and process efficiency where possible
- Decide what steps can be taken to control the cost and improve the efficiency of these areas
- Decide whether it makes sense for an external agent to help with the change



# Summary

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## Chapter 6 - Summary

***'Re-engineering business processes to deliver cost savings alongside efficiency and productivity gains is the goal of all businesses. In this environment IDC believes that businesses today must pay serious attention to DPM (Document Process Management) processes as this is a source of potential gains in productivity, cost saving and customer service. This issue needs to be on the corporate agenda'.***

**IDC White Paper 'Documents – The Life Blood of your Business?'**

What is clear from the IDC survey is that European companies are struggling with document management. Organisations across Europe realise the importance of having a document strategy in place, but they cannot put numbers on costs because they cannot measure the end-to-end document process and therefore cannot manage it – despite the fact that more than two-thirds of them claim to have a document management strategy.

What drives decision-making is information. Companies would be hard pressed to make sound business decisions based on little or no information – it would be like driving a car blind folded.

Only by understanding the entire document process within the organisation through an external assessment can an organisation evaluate whether document processes are supporting business strategy or hindering it; whether the company's knowledge bank is being managed effectively; whether processes are prioritised; and whether costs are optimised. Only then can the Board make such decisions as to where productivity can be improved or whether to outsource the document management to a third party.

It is essential that there is reporting and accountability both for individual process areas as well as the entire document management strategy across the organisation. If the assessment reveals that costs are found to be relatively minor and that improvements will not significantly increase the profitability and productivity of the organisation, then perhaps no further action is needed. If holes are found, then the repairs need to be prioritised according to the business needs, alignment with strategy and where both short and long term productivity and efficiency gains can be maximised. It is then up to the Board to implement and manage change and whether to allocate resources internally or to outsource the document management process to an outsourcing partner.

It is this unique combination of people, process, and technology that leads to success.



## Documents - An Opportunity for Cost Control and Business Transformation

According to IDC most business functions have already come under the CFO's microscope and cost-cutting knife with only diminishing returns to be had by re-examining and re-visiting the same business processes. That document management remains untouched by the financial controllers seems hard to comprehend until one understands that documents and the cost of managing them, is extremely hard to pin down.

Xerox provides the answers to the dilemmas faced by European businesses, which are uncovered in the IDC survey. From assessment to practical and affordable document management solutions through to a full outsourced contract, Xerox has the answer; the company has a track record of improving its customers' profitability, productivity, customer service and competitiveness – reducing costs and increasing efficiency.

Documents are everywhere. Yet so far they have escaped the watchful eye of the financial department. Xerox supports the IDC view that it will not be long before document management falls under the scrutiny of the Board – and not before time. We know the issues and we know the contribution to improved business performance that we can generate.

If documents really are the life blood of an organisation and the organisation is slowly being strangled and suffocated by the weight of its document burden, how long can it be before this attracts the attention of the Board?



# Summary

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## Chapter 7 - Methodology

The interviews for this research were conducted by telephone between July and September 2003 using a CATI questionnaire. All interviews were undertaken in the local language. The average interview length was 20 minutes.

For this research IDC developed a questionnaire that incorporated a combination of qualitative and quantitative questions. IDC also utilised a selection of rating, scale and value statement style questions to provide a variety of analysis.

The sample list of European companies was provided by Dun and Bradstreet and supplemented by IDC's internal lists.

The statistical accuracy for this survey is set at a confidence level of 95% +/- 3.08 for the sample as a whole.



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## Chapter 8 - Sample

As part of this research IDC conducted a large-scale survey of 956 senior executives involved in the decision making for document and information intensive activities within their organisations. The survey was conducted across Europe with organisations that had more than 500 employees and was completed in September 2003. The research was conducted in the UK, France, Germany, Italy, Austria, Switzerland, Belgium, the Netherlands, Nordic, Spain, Poland and the Czech Republic.

Breakout of demographic splits were as follows:

### Geographic Breakdown

|                |            |
|----------------|------------|
| Austria        | 52         |
| Belgium        | 50         |
| Czech Republic | 50         |
| France         | 113        |
| Germany        | 109        |
| Italy          | 75         |
| Netherlands    | 104        |
| Nordic         | 100        |
| Poland         | 50         |
| Spain          | 100        |
| Switzerland    | 50         |
| UK             | 103        |
| <b>Total</b>   | <b>956</b> |

### Number of Employees

|              |             |
|--------------|-------------|
| 500 to 1000  | 48%         |
| 1001 to 2000 | 27%         |
| 2001 to 5000 | 14%         |
| 5000+        | 11%         |
| <b>Total</b> | <b>100%</b> |

### Industry Sector

|   |             |
|---|-------------|
| Public Sector/Government/Health/Education | 24%         |
| Utilities/Telco                           | 12%         |
| Finance                                   | 17%         |
| Manufacturing                             | 26%         |
| Pharmaceutical                            | 5%          |
| Business Services                         | 16%         |
| <b>Total</b>                              | <b>100%</b> |

### Type of Respondents

|   |             |
|---|-------------|
| President, Owner, Managing Director, Chief Executive        | 5%          |
| Chief Information Officer (CIO)/Chief Technology Officer/VP | 37%         |
| Line of Business Director/Manager                           | 23%         |
| CFO/Finance Manager or Deputy                               | 15%         |
| HR Director or Deputy                                       | 17%         |
| Other   | 3%          |
| <b>Total</b>  | <b>100%</b> |



# Sources

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## Chapter 9 - Sources

**IDC White Paper:** *'Documents – The Life Blood of Your Business?'* Copyright 2003.

**IDC Market Analysis:** *'Worldwide and US Content Management Services Forecast and Analysis, 2003-2007: Bringing Order to Content Chaos'*. Copyright 2003.

For more information on the Xerox Management Report and IDC survey visit the Xerox Global Services area of the [www.xerox.com](http://www.xerox.com) website, live from 12th November, 2003.



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