

Calculating the ROI of Electronic Document Management

First: Calculate your document handling costs

- Storage costs (off-site expenses, on-site space usage, current archiving systems, and filing supplies)
- Copying costs
- Labor cost estimates for document search, retrieval, and filing
- Document distribution expenses (overnight shipping/mailing)

Document Handling Costs

Questions	Example	Monthly Calculation
1. How many people in your office handle paper documents?	10	$10 \times 20 \times 2 = 400$ min
2. How many times does each person retrieve or file a paper document per day?	20	$400/60 = 6.6$ hours $6.6 \times \$10 = \66
3. How long does it take to retrieve a paper document?	2 min.	$\$66 \times 20 = \$1320/\text{month } 1$
4. What is the average hourly salary of those staff members?	\$10.00	
5. How much time does each person spend making copies per day?	5 min	$10 \times 5 = 50$
6. How many paper copies are generated per day?	50	$50/60 = 8 \times \$10 = \8 $\$8 \times 20 = \$160/\text{mo } 2$
7. How much time does each person spend filing per day?	20	$20 \times 10 = 200$ min $200/60 = 3.3$ hours $3.3 \times \$10 = \33 $\$33 \times 20 = \$660/\text{month } 3$
Total Paper Document Management Cost per Month		\$2140

1. Calculating the monthly costs of handling, copying, and filing documents per month

(# of people) x (# of times) x (amount of time) = total # of minutes for the action per day

(total # of minutes per day) / 60 = # of hours per day

(# of hours per day) x (hourly rate of employee) = \$ spend per day

(\$ spent per day) x 20 workdays per month = Document handling costs per month

Document Storage Expenses

Question	Example	Monthly Calculation
1. How much do you spend on off-site storage per month?	\$150	
2. How many hours are spent per month accessing this off-site storage?	2 hrs/week 8 hrs/month $\$10 \times 8 = \80	Multiply by the hourly salary for a monthly calculation
3. How many file cabinets do you maintain and could this space be used for other purposes?	10 filing cabinets $1.5 \times 2 \times 10 = 30$ sq ft $30 \times \$15/\text{sq ft} = \450	Use square footage costs to determine value
4. How much do you spend on filing supplies per month?	\$ 50	
5. How much do you spend on overnight delivery services per month?	\$ 100	
Total Document Storage Expenses per Month		\$ 830
Total Paper Document Management Cost per Month		\$ 2140
Total Expenses per Month		\$2970
Total Expenses per Year		\$35,640

Second: Estimate the reductions in document handling and storage costs, once a document management system is in place.

Reductions	%	New Monthly Cost	\$ Saved
Reduction in time spent locating and retrieving documents	75%	6.6*0.75= 4.95hrs/day 1.65 hrs * \$10*20= \$330/month	\$990
Reduction in time spent filing	75%	\$165/month	\$495
Reduction in copying	50%	\$80	\$80
Reduction in off-site storage costs	75%	\$37.50	\$112.50
Reduction in on-site storage costs	75%	\$112.5	\$337.5
Reduction in overnight shipping expenses	50%	\$50	\$50
Reduction in filing supply expenses	50%	\$25	\$25
Total		\$800	\$2,090

Multiply these percentages with the calculations in the first section and you will get an idea of the monthly savings your company will realize by implementing a more efficient document management solution.

Third: Evaluate the costs associated with the document management system you want to implement.

Cost of the software	
Implementation costs	
Training expenses	
Consulting expenses	
Conversion expenses (one time or on-going)	
Total	

Fourth: Consider the non-financial benefits

- How will this system improve meeting regulatory compliance needs?
- How will improvements in communication and collaboration benefit business?
- The greater the potential to re-use information in the system, the greater ROI. How much time will be saved by using existing information instead of recreating it?
- What are the benefits of a shorter product cycle time?
- How valuable is a more secure and accessible archive of business assets?
- How much will improvements in customer service benefit repeat business?
- How much will more efficient document processes improve competitive positioning?
- Will better document availability lower risk factors and errors?
- Will employees be happier?
- *Can I really afford to not implement a document management system?*

Calculating the ROI of Electronic Document Management

First: Calculate your actual document handling costs

Document Handling Costs

Questions	
1. How many people in your office handle paper documents?	
2. How many times does each person retrieve or file a paper document per day?	
3. How long does it take to retrieve a paper document?	
4. What is the average hourly salary of those staff members?	
5. How much time does each person spend making copies per day?	
6. How many paper copies are generated per day?	
7. How much time does each person spend filing per day?	
Total Paper Document Management Cost per Month	

Calculating the monthly costs of handling, copying, and filing documents per month

(# of people) x (# of times) x (amount of time)= total # of minutes for the action per day

(total # of minutes per day)/ 60= # of hours per day

(# of hours per day) x (hourly rate of employee)= \$ spend per day

(\$ spent per day) x 20 workdays per month= Document handling costs per month

Document Storage Expenses

Question	
1. How much do you spend on off-site storage per month?	
2. How many hours are spent per month accessing this off-site storage?	
3. How many file cabinets do you maintain and could this space be used for other uses?	
4. How much do you spend on filing supplies per month?	
5. How much do you spend on overnight delivery services per month?	
Total Document Storage Expenses per Month	
Total Paper Document Management Cost per Month	
Total Expenses per Month	
Total Expenses per Year	

Second: Estimate the reductions in document handling and storage costs, once a document management system is in place.

Reductions	%	New Monthly Cost	\$ Saved
Reduction in time spent locating and retrieving documents	75%		
Reduction in time spent filing	75%		
Reduction in copying	50%		
Reduction in off-site storage costs	75%		
Reduction in on-site storage costs	75%		
Reduction in overnight shipping expenses	50%		
Reduction in filing supply expenses	50%		
Total			

Third: Evaluate the costs associated with the document management system you want to implement.

Cost of the software	
Implementation costs	
Training expenses	
Consulting expenses	
Conversion expenses (one time or on-going)	
Total	

Fourth: Consider the non-financial benefits

- How will this system improve meeting regulatory compliance needs?
- How will improvements in communication and collaboration benefit business?
- The greater the potential to re-use information in the system, the greater ROI. How much time will be saved by using existing information instead of recreating it?
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- Will employees be happier?
- *Can I really afford to not implement a document management system?*