

A Sample ROI Calculation

To calculate an ROI for a small office, we'll use a financial advisors office as a sample. Financial advisors generate paper with each new order, trade or account and the industry is regulated by FINRA and the SEC. This sample office will consist of two advisors plus five support staff for a total of 7 people. Let's assume that it's an average office and generates 100 new documents a week (This is a fairly low new document count, but helps prove the point that EDMS systems generate a great ROI). This office has been in business for 10 years and has a row of 10 filing cabinets in the back room. The charts below demonstrate the payback.

Daily Labor Costs for a paper-based Document Management System	Example	Time Spent	Cost
What is the average hourly salary?	\$15		
How many people handle documents?	7		
How many times does each person retrieve a document daily?	10		
How long does it take to retrieve a paper document? (minutes)	3	210	\$52.50
How many new documents are generated a day?	20		
How long does it take to file a paper document? (minutes)	3	60	\$15
How many paper copies are generated per day?	60	.05	\$3
Daily total costs for a paper based system			\$70.50
Monthly total costs for a paper based system (20 working days/month)			\$1,410
How much do you spend for off-site storage monthly?	\$100		\$100
How many filing cabinets (12 sq ft/cabinet - \$15/year/sq ft)	10	120	\$150
How much do you spend on filing supplies per month?	\$50		\$50
Monthly costs for maintenance			\$300
Annual cost to maintain paper based document management system			\$20,250
Implementation cost for a 5-user document management system			
Software (5 concurrent users)			\$5,000
Server with 200GB of storage			\$2,000
Scanners (3 mid-range scanners @ \$500 ea)			\$1,500
Training and Setup			\$2,000
Total Cost			\$10,500
Daily Labor Costs for an Electronic Document Management System			
What is the average hourly salary?	\$15		
How many people handle documents?	7		
How many times does each person retrieve or file a document daily?	10		
How long does it take to retrieve a paper document? (minutes)	.5	35	\$8.75
How many new documents are generated a day?	10		
How long does it take to file a paper document? (minutes)	.5	5	\$1.25
How many paper copies are generated per day?	0	.05	0
Daily total costs for a paper-based system			\$10
Monthly total costs for an EDMS (20 working days/month)			\$200
Annual software maintenance contract (20% of software purchase)			\$1,000
Annual cost to maintain an electronic document management system			\$3,520
Monthly savings			\$1,417
Months to payoff			7

The ROI calculation portrayed was done without taking into account the following factors. Lost documents become a thing of the past. The powerful search tools built into an EDMS make it virtually impossible to lose a document. In our sample office that generates 100 documents a week, using research from Coopers & Lybrand, 7.5 of them will be lost requiring the document to be recreated at a cost of \$220 each. If the paper-based system being used is very efficient and this loss is reduced to 4 percent, the total is still a cost of \$880 per week. Even if the EDMS is inefficient and has a loss rate of 2 percent, the savings is still \$440 a week or \$5,280 a year.

Misfiled documents also become a nonissue. The powerful search tools built into an EDMS let misfiled documents to be easily found and re-filed in the correct place. At a misfile rate of 3.5 percent and a cost of \$120 per misfiled document, the sample office will save an additional \$420 per week or \$5,040 per year. Misfiled documents are a huge problem and can turn an office upside down when looking for misplaced documents.

The worksheet used in this sample ROI calculation can be downloaded [here](#). Take a look around your office and plug in numbers that make sense for your business and see what your ROI would be.