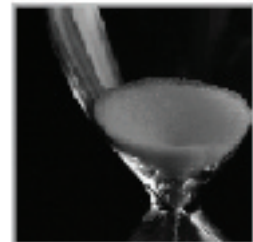
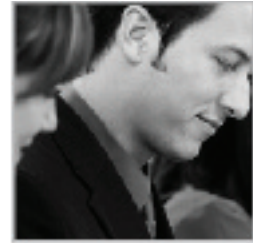
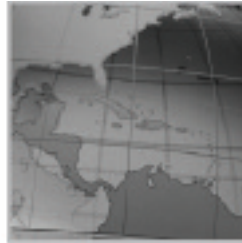


Analysis



Production Printing & Media



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The Evolution of Document Process Outsourcing

An industry perspective spotlighting an Océ Business Services case study

Service Area(s)

Document Outsourcing
Document Outsourcing Europe



Océ Business Services

Canon
CANON GROUP

InfoTrends
A Questex Company

Table of Contents

Introduction3
 Key Findings.....3
 Recommendations3
Adding Document Process Outsourcing to the Discussion3
 DPO Versus BPO4
 Focus on Innovation and Process Improvement.....5
Océ Business Services Optimizes Rental Contract Processing Globally6
 The Challenge.....6
 Processing Car Rental Documents6
 Processing Accounts Payable Invoices7
 Active Employee File Conversion7
Why Outsource?7
The Solution8
 Input8
 Process Execution.....8
 Output and Recipients9
Results9
InfoTrends’ Opinion9
About the Author.....10

Introduction

InfoTrends published its first document outsourcing market forecast in 1999. As the segment has evolved, InfoTrends has adjusted the way that it forecasts the market. One adjustment that we made was the inclusion of a segment that we termed “Document Process Outsourcing” (DPO), a document-intensive form of business process outsourcing (BPO). As the breadth of services offered by traditional document outsourcing vendors continues to grow, the traditional DPO space may still be evolving. This analysis will review the document outsourcing market, the evolution of DPO, as well as a case study from Océ Business Services, Inc.

Key Findings

- DPO continues to be a growth opportunity for document outsourcing providers
- In addition to cost savings, organizations are seeking DPO engagements that improve business processes and add business value
- Boundaries between DPO and BPO are not discrete and continue to blur

Recommendations

- Develop competencies up and down the value chain to expand breadth of services
- Vertical expertise will help differentiate in an increasingly competitive arena
- Innovate and focus on continuous process improvement for long-term success
- Partnerships are key, especially as geography becomes less relevant

Adding Document Process Outsourcing to the Discussion

Business process outsourcing is not a new concept — the first BPO engagements were seen as early as 1991 — but it became apparent that traditional document outsourcing providers were seeing growing opportunities in document-intensive business process outsourcing, either as standalone engagements or in partnership with traditional BPO providers such as Accenture or IBM Global Services.

In 2003, InfoTrends began to track, analyze, and forecast this new opportunity. Today, DPO continues to be a high-growth segment and a significant opportunity for document outsourcing vendors worldwide. InfoTrends’ U.S. Document Outsourcing Market Forecast 2009–2014 estimates that the DPO market reached \$508 million in 2009, and projects it to grow to almost \$1 billion by 2014 at a 14.5 percent compound annual growth rate (CAGR). The Western European Document Outsourcing Market Forecast: 2009–2014 forecasts that revenues within this segment are expected to climb from

€1.3 billion in 2009 to €2.7 billion in 2014, demonstrating a CAGR of 16 percent.

Within the segment itself, DPO continues to evolve. The breadth of services offered by traditional document outsourcing vendors continues to grow, driven by customer demand and supported by organic growth and acquisitions. The objectives for DPO engagements are evolving from a focus on cost reduction to a focus on business process improvement.

InfoTrends defines DPO as the assignment of an entire document-intensive business process to an external service provider. All steps within the outsourced process, from end to end, become the sole responsibility of the outsourcing service provider. Whereas traditional document outsourcing engagements involve the outsourcing of a task or tasks (e.g., printing, scanning, mailroom management) in support of a number of business functions, DPO refers to the outsourcing of a process, composed of a number of tasks, in support of a single business process or function.

The characteristics of a document process are:

- There is a specific input and a specific output. For example, the input might be qualified sales leads and the output might be a personalized set of promotional materials, which may include print and electronic components.
- The process encompasses a well-defined sequence of activities, each adding value to the ultimate output. Following through on the above example, these activities may include data management, creative tasks, printing, Web programming, e-mail programming, distribution, and tracking.
- There is a well-defined recipient of the output. In this case, the prospective customer.
- Most importantly, the specific business process can be named. To complete the example, the business process is customer acquisition.

DPO Versus BPO

A more perplexing question is the difference between DPO and BPO. BPO is a form of outsourcing that involves contracting the operations and responsibilities of a specific business function, or process, to a third-party service provider. BPO is typically categorized into back-office outsourcing (which includes internal business functions, such as finance and accounting) and front-office outsourcing (which includes customer-related services, such as contact center services).

As evidenced by the definition, DPO is simply a document-intensive version of BPO. But what denotes “document intensive”? This distinction was clearer five years ago, when print functioned predominantly as a standalone service, and when document outsourcing vendors possessed competencies that were distinct from the BPO players. For instance, BPO organizations, such as Accenture, IBM, and Infosys, might partner with companies like Océ Business Services, Inc. to provide

comprehensive outsourcing solutions.

There is a decreasing level of differentiation between BPO and DPO. As print and electronic communications are integrated, companies seek greater efficiencies through workflow and process automation. And, as industry mergers continue, a number of factors are driving this trend:

- Customer demand for bundling – As companies look to flush out unnecessary costs from every facet of their business, they are examining the hidden costs of managing multiple providers. Outsourcing industry research indicates that the cost of governance can be as high as 8 percent of the contract value.
 - Bundling allows organizations to better leverage vendor resources, such as a mix of on-site and off-site, or onshore and offshore, outsourcing capabilities.
 - Establishing a closer relationship with a single vendor enables a collaborative relationship, leading to greater innovation and strategic value.
- Merging of BPO and DPO players – Several recent mergers and acquisitions have brought together BPO and DPO players, one of the most notable being the Xerox acquisition of Affiliated Computer Service (ACS) in late 2009.
 - Other relevant acquisitions are HP and EDS; Dell and Perot; and the Océ Business Services acquisition of CaseData in 2006, which provided Océ with significant eDiscovery, LPO coding, and BPO operations in the Philippines.
 - The integration of traditional BPO capabilities with document-related expertise presents the opportunity for end-to-end document-intensive business process services.
- Integration of print and electronic document workflows for business process automation – Growing demand for access to documents via multiple distribution channels and initiatives driving the conversion to electronic records have resulted in consolidation of the workflows that manage print and electronic documents and records.
 - Electronic workflow technology has enabled the breakdown of departmental and functional silos, resulting in greater collaboration and automation between business areas.
 - Compressed workflows demand greater convergence between traditional back- and front-office BPO and document-related expertise.

Focus on Innovation and Process Improvement

In today's economic environment, organizations are searching for ways to improve workflow, resulting in increasingly strategic BPO and DPO partnerships. According to a July 2010 study by Forbes Insights in association with Infosys (a BPO provider), more companies are evaluating an engagement's

success on a number of metrics beyond bottom-line savings. While reducing cost remains a top concern, senior managers are also looking to their service providers for innovation, continued process improvement, and long-term business value. A 2009 white paper from Accenture, another BPO provider, notes that companies are beginning to recognize that BPO could be a “vehicle for radical change” and are pursuing “more collaborative relationships driving both cost savings and innovations.”

Examples of increased business value include new revenue streams, higher productivity, improved competitive agility, and enhanced customer service. DPO providers are taking note and are offering value-based services that are evaluated on metrics beyond cost savings. For example, in the Océ Business Services success story below, reducing cycle time and integrating global process is a key goal of the outsourcing engagement.

As senior executives look for BPO and DPO engagements to provide value beyond cost reduction, they may require vertical-specific services that present measurable business outcomes. Several industries, including financial services, healthcare, insurance, and media, are undergoing fundamental transformations, including infrastructure, regulatory compliance, and customer expectations, presenting a growing opportunity for service providers. A report by the Everest Group predicts that vertical-specific BPO capabilities will help vendors attain distinctive positioning in an increasingly competitive market.

Océ Business Services Optimizes Rental Contract Processing Globally

As part of a larger initiative to cut costs and improve operational efficiencies, a premier global rental car company sought to restructure and reorganize its internal document processes. After evaluating several options, the company entered into a partnership with Océ Business Services (OBS) to outsource its document processing activities — mail, print, document scanning, and process management and control. The initial scope of the contract was to manage the entire process from document origination to digital conversion and intake into the enterprise content management (ECM) system of an estimated 1.2 million rental car contracts and related vehicle maintenance records per month. After a year, the contract was expanded to scan about 35,000 invoices a month for accounts payable. Another contract expansion has added the conversion of 31,000 active employee files from paper to digital for human resources.

This case study provides an example of an innovative approach where the end-to-end document process was outsourced — unified mail, print, and scanning on a global basis, with Six Sigma® process improvement and offshore processing.

The Challenge

Processing Car Rental Documents

The company faced a number of challenges related to managing rental contracts and vehicle maintenance records. An electronic system was in place to produce vehicle contracts and capture the customer signatures using an electronic pen. With thousands of locations, however, the electronic signature was not always available. In those cases, the signed documents were collected, scanned, indexed, and merged with the others produced by the electronic system. The company wanted to make sure it had the authentic signed contract in its ECM repository.

Vehicle maintenance records typically originate in paper and need to be converted to digital. Processing was largely a paper-based, manual activity. Not only was it time consuming, but it was also prone to mistakes. The company wanted to improve the efficiency to reduce processing time, cost, and errors. They sought a partner who could manage the document process effectively while containing costs on a global scale.

Processing Accounts Payable Invoices

Invoice processing lacked efficiency. Invoices would enter the mailstream and flow to individuals that would sign and code them for approval. From here, the invoices would be sent to accounts payable either through interoffice mail or fax. The process could take weeks, without any information available regarding the location, payment status, or dollar value of the invoices. The company recognized the inefficiency of the process and wanted to scan the invoices upon receipt and route them electronically for approval.

Active Employee File Conversion

In human resources, the 31,000 employee files were all in paper. Accessing information was time consuming and required repeated calls, faxes, and mailings to access employee information or copies of employee documents. The company wanted to convert the existing paper files to digital and also migrate future processes to an electronic workflow going forward to avoid paper files altogether.

Why Outsource?

The company chose to outsource for three reasons, the first of which was to optimize the capture and introduction of documents into the electronic workflow and archive. To achieve best-in-class efficiency, the company recognized the value of outsourcing to a document process specialist who can provide dedicated resources and leverage advanced management methods. In fact, the company's ex-

ecutive responsible for optimizing document processes hired Océ Six Sigma Black Belt process control experts to help him continuously improve processes.

The second reason was to reduce costs. By standardizing document processes on a global level, the organization's goal was to apply best-in-class methods, maximize synergy, centralize control, and establish accountability in order to obtain the best results at the lowest cost.

Specific goals included:

- Centralize all documents in a searchable, online repository
- Reduce the turnaround time required to capture and post documents
- Eliminate dual paper and electronic processing
- Prioritize document processing based on document type

The third reason to outsource was to create a standardized global process. Having experienced the negative impact of partitioned processes and proprietary software, the company was seeking a provider that could integrate and deploy an end-to-end process that combined DPO- and BPO-related tasks. By outsourcing this function, the company could shift its focus back to core competencies.

The Solution

Input

The documents involved are rental contracts (four to six pages each) and vehicle maintenance records that include everything from repair invoices to inspections, registration, vehicle recalls and warranties. Océ processes over 90 different types of documents for the company. The accounts payable documents include invoices from all of the suppliers. The employee files contain compliance forms, employee reviews, and related benefits documentation.

For vehicle contracts and records, Océ consolidated the paper scanning centers into two locations: one in the U.S. and one in Europe. The documents are sent from field rental offices to central document capture centers. For accounts payable, Océ routes the incoming supplier invoices to one location in the U.S. for scanning. The employee files are scanned in the company's headquarters, where the corporate human resources function is located.

Process Execution

Océ staff is co-located at the client company's sites in the U.S. and Western Europe. In Eastern Europe, Océ operates a document intake center using an Océ facility. The documents are scanned and deposited in a virtual workflow queue. They are then picked up via a secure VPN connection by Océ employees in the Philippines, where Océ operates back-office support services. Océ staff in the Philip-

pincode, index, and process the documents. Depending on the document and process, Océ then performs quality assurance checks.

The specific process is as follows:

1. Check incoming workload queue – Documents arrive in batches.
2. Distribution – The batches are routed to indexing based on document type and priority.
3. Validation – Documents are indexed according to client requirements using optical character recognition (OCR) and automated classification as well as manual coding.
4. Verification – Captured data is checked against the image for accuracy. The validation and verification processes are done by different staff members to ensure accuracy.
5. Quality Control – All batches must pass 100 percent accuracy checks. If a batch contains errors, Océ QA sends the batch back to Validation for re-processing.
6. Release to ECM – After passing the QA check, the batch is released to the client's ECM system.

Output and Recipients

The electronic documents are reintegrated into the client company's workflow for further processing. Not only has Océ reduced the time and cost of processing, but the documents are also more readily accessible for online retrieval and improving other processes further downstream.

Results

Océ saved the company \$700,000 annually on rental contract imaging and indexing. Additionally, accounts payable processing costs have been reduced by \$120,000 annually through imaging. The new process under Océ management reduced the turnaround time by 12 to 24 hours across all documents with 100 percent quality control. In addition, specific document types can be prioritized, according to service level agreements, to be processed within a 2- to 48-hour time span.

Océ leveraged its on-site and off-site presence, document process re-engineering, technology, and offshore capabilities to provide its client with an innovative DPO/BPO solution. The new approach has improved processes that have enhanced core and support functions beyond faster turnaround and cost savings.

InfoTrends' Opinion

The DPO market segment continues to be a high-growth area, even as the segment itself continues to evolve. The objectives for DPO engagements are changing from a focus on cost reduction to a focus on

business process improvement, reducing the distinction between DPO and BPO. To leverage the DPO opportunity, traditional document outsourcing vendors have made significant advances in process management and technology applications, breaking down traditional boundaries between document processes and business processes as evidenced in this Océ Business Services case study.

This material is prepared specifically for clients of InfoTrends, Inc. The opinions expressed represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies. We believe that the sources of information on which our material is based are reliable and we have applied our best professional judgment to the data obtained.

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