

Need Records Cleanup ROI? Then Let's Get Physical!

Presented by:

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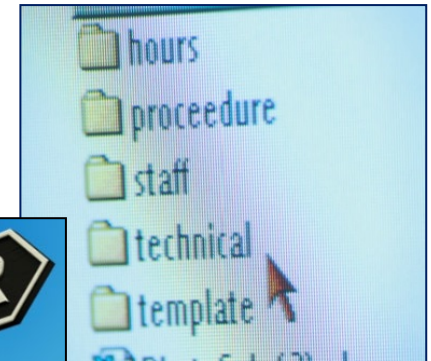
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Who is Cadence Group?

Records and Information Governance Consulting Firm

- Incorporated in 1988 – Atlanta / Washington D.C.
 - Records Program Assessments
 - Records Policy and Retention Schedules
 - Records Cleanup Strategy
 - Software Requirements Analysis
 - Project Management & Change Management
- Certified Woman-Owned Business
- Objective point of view
- Serve Commercial and Government clients
 - GSA Schedule 36



Session Goals

Today's discussion will...

- ▶ Expose the costs and risks of a bloated physical records inventory
- ▶ Walk through physical cleanup ROI formulas designed to compel management to take actions
- ▶ Apply an actual business case that demonstrates how physical records cleanup can be used to fund future IG initiatives

WARNING: THERE WILL BE MATH!!! (sorry 😞)



“A records center is a place to keep your stuff while you go out and make more stuff.”

– George Carlin
(If he were a records manager)

Physical Cleanup – If Not Now, When?

- We are creating electronic data at breakneck speed, so why are we talking about paper?
 - ▶ COVID-19 has accelerated the shift to virtual work, which means paper is becoming less valuable and more risky to maintain
 - ▶ Disruption to revenue has forced organizations to cut costs while investing in technology and support systems that support virtual work
 - ▶ Now more than ever, paper presents unnecessary cost and risk to organizations
- So maybe the real question is – is paper helping or hurting the bottom line?



The Cost and Risk of Storing Paper Records

➤ On-site office space

- ▶ The cost of a 200 square foot file room in downtown Detroit (at \$21.00/square foot¹) is \$4,200 + utilities, maintenance, etc., or \$10.50 per cubic foot of paper stored on-site per year.²
- ▶ And the “spare office” for overflow storage? That 10”x15” space will run you \$3,150/year.

➤ Off-site storage costs

- Depending on your storage rate, your annual cost of per cubic foot of off-site storage is +/- \$4.00

➤ Legal discovery exposure

- ▶ Yes, paper records are still subject to legal discovery. eDepoze estimates that the cost to produce one box (1.2 cubic feet) of legal exhibits is \$500.³

The Cost and Risk of Expired Paper Records

➤ What is the total cost of over-retention of on-site records?

- ▶ The number of cubic feet of expired on-site records (X)
- ▶ 50% (X)
- ▶ The annual per square foot cost of your organization's office space (X)
- ▶ The number of years the records have been held past their retention period



➤ What is the total cost of over-retention of off-site records?

- ▶ The number of cubic feet of expired off-site records (X)
- ▶ The number of years the records have been held past their retention period

➤ What is your organization's legal discovery exposure for expired physical records?

- ▶ The total cubic feet of expired physical records/1.2 (X) \$500

KEY TAKEAWAY

LIKE CREDIT CARD DEBT, THE COST OF OVER-RETENTION COMPOUNDS OVER TIME!

Example: GWDC ARMA Co.

- GWDC ARMA Co. is a conference services company based in...Washington, DC.
- They have a beautiful suite of offices, accentuated by a gleaming 200 square foot records room!
- They also have 1000 cubic feet of records off-site at ARMA Storage Co., for which they have been paying \$3.60 per cubic foot per year.
- The COVID pandemic has slowed down their business and are looking to reduce their footprint and cut costs. Their records manager, Info McGovernance, believes that half of their records holdings could have been destroyed 5 years ago.
- How much have they paid for their “storage is cheap” mentality?

Onsite storage

- 400 cubic feet in the file room (X)
- 50% expired = 200 cubic feet (X)
- 50% of \$21.00 per square foot = \$2,100 annual overpayment (X)
- 5 years of over-retention = \$10,500

Off-site storage

- 1000 cubic feet (X) 50% expired = 500 cubic feet (X)
- \$3.60 per cubic foot storage = \$1,800 annual (X)
- 5 years of over-retention = **\$9,000**

Total Cost of Doing Nothing = \$19,500

What has been their *legal discovery exposure* for expired physical records?

- 900 cubic feet/1.2 (X) \$500 = **\$375,000**

Cleanup Prerequisites

- OK, so doing nothing is expensive. However, before starting the cleanup project...
 - ▶ Does your organization have a records and information management policy?
 - ▶ Does your organization have a records retention schedule?
 - ▶ Have you planned out your resources, timing, and sequencing?
 - ▶ Have you obtained senior management buy-in?



Project Scoping and Approval

➤ Prepare the records inventory

- ▶ Apply records codes and retention periods
- ▶ Apply legal holds
- ▶ Identify items with insufficient or vague index, e.g. “Ted’s stuff”

➤ Prepare the business case

- ▶ Identify volume of records that can be destroyed immediately, in 1 year, 2 years, etc.
- ▶ Calculate cost to destroy records
- ▶ Calculate on-site and off-site volume reduction by year
- ▶ Calculate ROI (see case study)
- ▶ **Calculate cost of doing nothing**
- ▶ Determine additional business benefits (smaller footprint for future lease, reduced Discovery exposure, reduced risk of information loss or theft, etc.)

Case Study: Large Healthcare Agency*

➤ The situation

- ▶ Over 350,000 cubic feet in off-site storage and growing through acquisition
- ▶ Approximately \$700,000 in annual storage costs
- ▶ Recently updated records retention schedule

➤ The options

- ▶ Invest over \$5.00 per cubic foot in volume reduction (almost 3 years of storage)
- ▶ Shop for a better storage contract
- ▶ Stay the course and pretend the problem doesn't exist

➤ The solution

- ▶ Negotiated destruction incentives and volume concessions in exchange for new contract
- ▶ Contracted with consultant to apply legal holds and new retention schedule to off-site inventory across all business locations

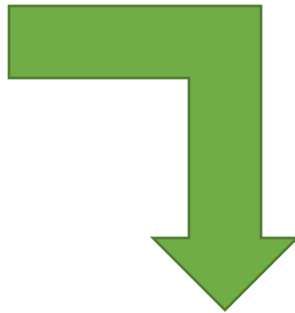
* The numbers used in this case study and accompanying ROI chart have been rounded to protect the identity of the client and storage vendor.

Case Study Results

➤ The results

- ▶ Identified and tagged nearly 200,000 cubic feet of legal holds
- ▶ Identified over 100,000 cubic feet of records for destruction, resulting in nearly \$200,0000 in annual storage savings
- ▶ Storage savings can now be re-invested in electronic records lifecycle management initiatives

➤ The ROI?

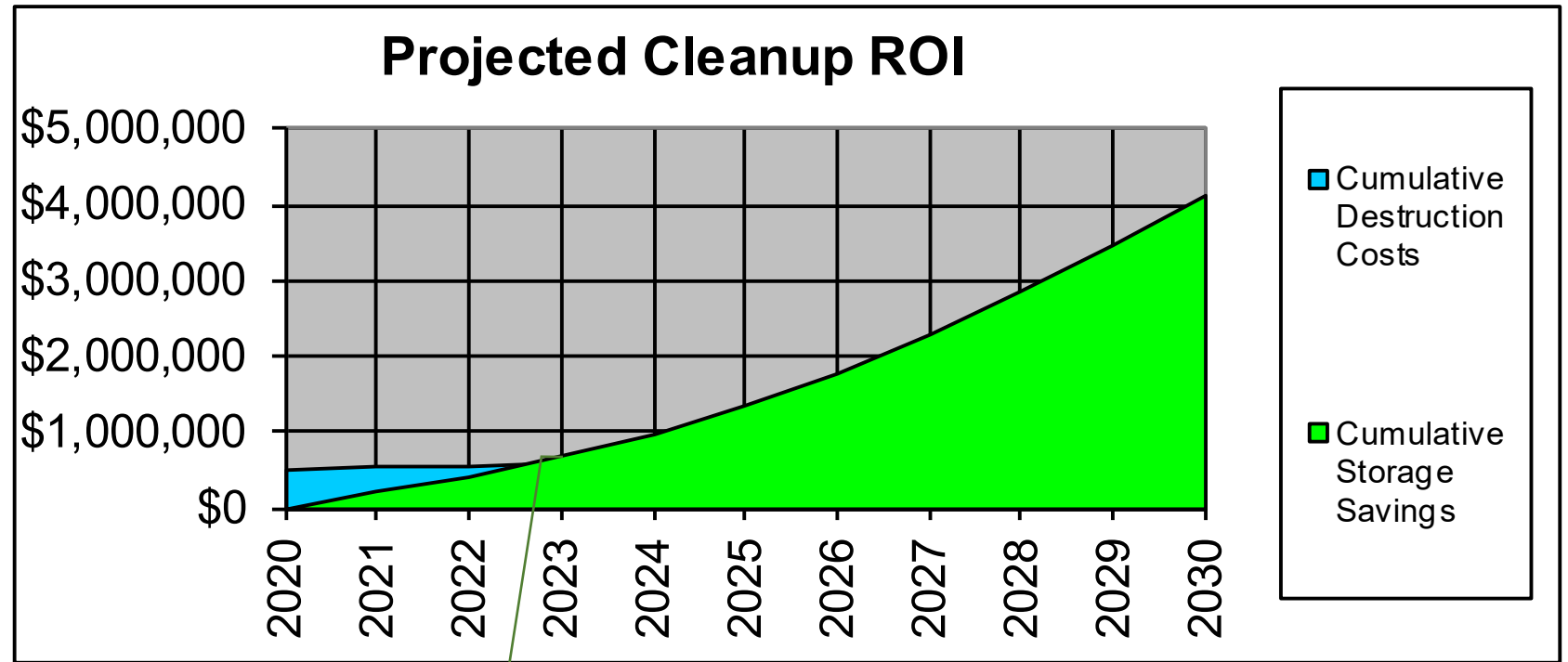


Project ROI Example



ROI Chart Details

- \$500,000 in initial destruction costs
- \$30,000 in ongoing destruction costs
- Destroy 10% of existing volume annually
- Positive ROI begins in 2023 (where the green shades over the blue)



Storage savings can be invested in strategic RIM initiatives to move program forward.

The Wrap

- NOW is the time to clean up your organization's physical records
 - ▶ Organizations are scrambling to cut unnecessary costs and risk
 - ▶ Not managing expired physical records is like credit card interest; it gets more expensive every year
 - ▶ Physical records are of little use to an increasingly virtual workforce
 - ▶ Physical records cleanup is a positive ROI initiative that can be used to fund other digital initiatives
- Show upper management that the information governance is the change agent they need during disruptive times (before they designate you as "non-essential").





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(All speaker-inserted images via pixabay.com)



Endnotes

- ¹ JC Reindl, “Suburbs strain to compete with pricier Detroit office space market,” Detroit Free Press 07/20/2018, <https://www.freep.com/story/money/2018/07/20/suburbs-strain-compete-pricier-detroit-office-space-market/778523002/>
- ² “ARCHIVAL CONTAINERS: TABLES OF CUBIC-FOOT EQUIVALENTS FOR CONTAINERS, SHELVING, AND CABINETS COMMONLY FOUND IN ARCHIVES,” Tennessee State Library and Archives 1999, <https://tsla.tnsosfiles.com/archives/tama/tama02containers.pdf>
- ³ <https://edepoze.com/>

Cost of doing nothing formulas

➤ Onsite Records

- ▶ 1 storage box = 1.2 cubic feet
- ▶ 1 square foot of file room space can hold 2 cubic feet of records
- ▶ Annual cost of expired onsite records = (cubic feet of expired records/2) X cost per square foot leased

➤ Offsite Records

- ▶ 1 storage box = 1.2 cubic feet
- ▶ Annual cost of expired off-site records = cubic feet of expired records X storage cost per cubic foot

ROI Formula for Zero Growth Business Case

➤ Step 1: Determine baseline calculations

- ▶ Calculate current annual total annual storage cost as your baseline
- ▶ Calculate or estimate the storage reduction that can be realized immediately, and annually – out to 5 or 10 years
- ▶ Calculate the cost to destroy each cubic foot of records, including retrieval, shredding, permanent removal (if off-site), etc.

➤ Step 2: Calculate cumulative ROI (assumes no storage growth or price changes)

- ▶ Year 1 ROI: \$0 storage savings minus Year 1 destruction cost
- ▶ Year 2 ROI: Year 1 storage savings minus Years 1 + 2 destruction cost
- ▶ Year 3 ROI: (Years 1 + 2 storage savings) minus (Years 1 + 2 + 3 destruction cost)
- ▶ Repeat for as many years as makes sense

➤ Step 3: Plot cumulative destruction cost and cumulative storage savings by year on an area graph (see project ROI example slide) and explicitly state when breakeven occurs