POD**i**
the Digital Printing initiative

ROI: Building New Models for Communications Solutions

ROI sounds simple enough: Put money in; get returns out. In reality, it's not that easy. As companies consider new strategic communications solutions based on digital color, transaction documents, personalization, and converging workflow, meaningful ROI models for these applications can be hard to define.

Old ways of thinking about ROI don't work for today's strategic enterprises. PODi recognized that a fresh look was needed, and this became the focus of a recent PODi Executive Summit. With high-value events like the Summit and the Application Forums, as well as the largest best practices database in the industry, PODi is well positioned to lead the drive for greater ROI knowledge.

Big Myths About ROI:

When the PODi Executive Summit brought together a group of the industry's most critical thinkers, some surprising ideas emerged to challenge routine thinking about the nature of ROI today.

- ROI is not always about return on investment anymore. Now soft issues like risk mitigation and time to market drive ROI expectations. Understanding and applying different types of ROI is critical for companies' future returns.

- Benchmarks for ROI assumptions do not exist. Companies have trouble tracking return on new investments because they never benchmarked their old processes and equipment.

- Organizations never go back and measure whether an investment delivered the expected returns. Once the deal is done, mindshare moves on.

Best Practices for Creating ROI

For many decision makers, ROI is the most important criterion in evaluating IT investments, and understanding new ROI models is critical for businesses to make the best decisions for their bottom lines. The PODi Executive Summit generated a set of best practices and some critical thinking for the benefit of enterprises buying solutions and the vendors selling to them.

Best Practice #1
Agree on a good definition.

There is a lack of consistency in how organizations define ROI. Corporate culture and market segment can influence how ROI is interpreted within a company. Even within the same enterprise, ROI can mean different things to different stakeholders. Generic ROI models cannot always be applied to specific market requirements. ROI models for combinations of transaction, direct mail personalization, digital collateral and color applications must look at the:

- Business benefit
- Cost of production
- Data processing
- Costs to be avoided or added

Critical thinking:

"Although they are converging, print on demand and transaction operations are still two different worlds, and their methods and motives for determining ROI are just as divergent. Commercial printers seek new transaction business, while service bureaus and corporate document operations are interested in adding digital color and design to statements. As these worlds collide, managers are not fully prepared to determine ROI for their new responsibilities."

– Karl Schumacher

Best Practice #2
Align with the strategic and financial goals of the organization.

Getting technology projects approved requires a strong business case. A business case showing a good ROI strategy is probably the single more important driver of new funding for IT initiatives Whether it's a business case for a state-of-the-art digital printing system or a new personalization application, it is important to align with the strategic and financial goals of the organization. Partnering with the business side of the company is critical. They might not speak your language, but you better speak theirs.

Critical thinking:

"The people responsible for infrastructure must manage the expectations of their business-oriented colleagues. IT managers have to educate their business partners about infrastructure's

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>
> *– Karl Schumacher*

> "A business-oriented ROI model can show the value of integrating communications into the front end of the insurance, finance or other enterprise."
>
> *– Mike Lambert*

value to the business by developing closer relationships and making better cases for their projects."

– *Karl Schumacher*

Best Practice #3
Understand the different motives and perceptions of the players involved.

ROI for a corporation and ROI for an individual making a purchase decision may be driven by different motives.

The corporation is probably after cost savings or process improvement. For the end user, ROI might include the visibility of being profiled in a vendor case study or the prestige of a winning an industry award.

Critical thinking:

"In some cases, technology is being pushed out to business users who do not understand what is possible and cannot visualize the improved state. They just go along because competitors are doing it, instead of thinking strategically about the business impact and ROI of IT infrastructure improvement."

– Elizabeth Gooding

Best Practice #4
Use benchmarks that matter to the organization.

Every industry understands the value of benchmarks, but for the most part, these tools don't exist for ROI. There's a misconception about ROI that once it is defined, someone goes back later and actually compares it with results. In reality, this rarely happens. It can be very helpful to benchmark business process again industry norms, using resources like the metrics and case studies that are available in the PODi best practices database.

Critical thinking:

"If current costs can't be evaluated, how can the outcome of a new project be measured? Many companies expend a lot of work building an ROI model, but they don't follow up afterwards to see if it worked as projected. In fact, real ROI value is best measured a year later, not just at the time of sale."

– Elizabeth Gooding

Best Practice #5
"Return is Only Implied" – When intangibles are more important than hard dollars.

One of the peculiarities of today's ROI models is that IT managers spend so much time trying to identify dollars to be saved, when in reality, ROI decisions are becoming more oriented to soft issues such as risk or time to market. An ROI model might project a 10-20 percent operational efficiency, but for many organizations, especially insurance or finance, the real ROI is in improved business processes.

"In some cases, technology is being pushed out to business users who do not understand what is possible and cannot visualize the improved state."
– Elizabeth Gooding

"Issues like risk, time to market, and work processes have replaced cost as a major factor in some ROI models."
– Elizabeth Gooding

Critical Thinking:

"Business partners in some industries are aware of ROI, but it is not the most important thing for them. Money saved is not as important as value to the business."

– Mike Lambert

Best Practice # 6
Needs analysis is a critical step in ROI development.

When operations and IT managers calculate ROI, any number of factors can be involved. Smart questions like these will help uncover the main points:

- Is the ROI model to be applied to a system, an application, a process, or a combination of these?
- Should the models be application-specific?
- How can ROI be geared to the requirements of vertical industries like insurance or finance?
- Will calculations use some other cost of capital within the company?
- Does the ROI model include present value calculations, internal rate of return calculations, or payback periods?
- Are you trying to sell the project internally (win over personalities) or justify an infrastructure acquisition (prove business value)?
- Is the solution or change good for the customer and the shareholder?

Best Practice #7
Optimize across the whole process

Look at the whole process. ROI can be even greater when it is optimized across the enterprise. Pitney Bowes created a integrated system that merged 17 billing streams into one and gave customers a choice of either receiving their bill through a web portal or digitally printed on paper. Pitney Bowes has already achieved $700,000 in year-two savings on $900,000 in year-one expenditures, and benefits continue to grow. ROI has come from a variety of sources that were not entirely expected in the beginning, such as call center savings in the range of $180,000-190,000.

Critical thinking:

"Remember that digital color is not just about technology, but also design. Simply investing in hardware without giving thought to the strategic use of color in the document will skew ROI results."

– Elizabeth Gooding

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Brave New Models

How can enterprises and their supplier partners create the best ROI strategies for today's digital communications? As ROI criteria move away from cost-savings, other models like these are finding relevance:

Risk-Mitigation Model – ROI models are now taking a hard look at risk, especially in industries facing significant regulation like insurance and finance. Risk avoidance is a huge factor in getting business people to accept new technology.

Time-to-Market Model – Time to market carries a lot of weight in competitive industries like insurance, outweighing even the opportunity to save tens of thousands of dollars. Some companies see more value in being able to get ahead of the competition or test participants with each quarter's documents.

Process Improvement Model – Work process improvement is worth investigating as a source of ROI. Too often people buy the technology, but don't change their processes. Good ROI is impossible if a new tool is used to make an application the same as it was before. To truly drive ROI, the organization must support the redesign of business workflow.
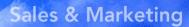
Outsourcing Model – One way to maximize ROI may be to outsource instead of adding to existing resources. It must be determined what is the best way for the company to acquire the capabilities, and ROI scenarios can help with the decision.

Color and Personalization Model – Digital color is gaining traction as an element of transaction applications, on demand collateral, and personalized direct marketing. However, evaluating ROI for digital color applications is tricky because there is so little research to go on.

Convergence Model – As organizations look for convergence opportunities for applications like transactional documents, collateral, and on demand publishing, infrastructure decisions could be based on the ROI of multiple applications leveraging the same technology.

PODi: Where Knowledge Comes From

For the latest thinking on real issues that impact their bottom line, companies rely on resources available only from PODi. Intense peer-to-peer networking is the foundation of PODi events like the Applications Forum and Executive Summit. These unique gatherings bring the industry's best minds together to create standards and promote the value of digital printing. PODi also offers a storehouse of knowledge through the industry's largest best practices database.

PODi members are market and technology leaders representing all facets of the digital printing ecosystem, including leading vendors, developers and service providers. When you become part of PODi, you gain instant access to a range of contacts and experience not available anywhere else.

Get the knowledge and contacts you need to help your business succeed. Join PODi today. Call 585-239-6063 or visit http://www.podi.org.

PODi is a market education and development initiative sponsored by leading vendors in the digital printing market. For more information on PODi activities or to learn the benefits of membership contact:

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