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Document **H43**

## **ROI CASE STUDY DIGITECH SYSTEMS IMAGESILO BIGELOW TEA**

### **THE BOTTOM LINE**

**Bigelow Tea replaced its paper-based content storage system and deployed Digitech Systems ImageSilo to create an electronic document repository to streamline accounting processes, reduce offsite storage costs, and increase employee productivity.**

**ROI: 813%**

**Payback: 2 months**

### **THE COMPANY**

In 1945, Ruth Campbell Bigelow used an old colonial recipe to make a fresh-tasting tea that she could share with her friends and family. After much trial and error, Ruth created "Constant Comment" tea, Bigelow Tea's signature product.

Today, the family-owned business produces more than 1.3 billion bags of tea each year and has revenues of more than \$100 million. Since its founding, Bigelow Tea has become one of the nation's leading specialty tea makers with more than 70 varieties of flavored, traditional, organic green, herbal, decaffeinated, and iced teas. Bigelow Tea has 350 employees and is headquartered in Fairfield, Connecticut, with plants in Boise, Idaho and Louisville, Kentucky.

### **THE CHALLENGE**

Bigelow Tea had been manually managing its accounting processes and found that without an electronic document repository, finding information and preparing for annual audits was time consuming and frustrating for employees. The company's existing content management strategy, which consisted of six 5-drawer file cabinets and an offsite warehouse, demanded a great deal of manual maintenance and created a number of problems:

- Missing information. Because these documents were frequently accessed and removed from their storage locations, there was an increased likelihood of misfiling and misplacement that made it difficult for employees to find the information they needed.
- Regulatory challenges. IRS and state audit requirements required Bigelow Tea to store four to five years of tax information. Since Bigelow Tea's finance processes were heavily paper-based, annual audits and periodic literature requests were time consuming and expensive.
- High overhead costs. To share information with colleagues, employees were constantly faxing, photocopying, and mailing documents back and forth

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between all three facilities and the company’s individual departments. Doing this resulted in increased overhead costs and complicated key accounting processes.

Given the challenges of its current content management strategy, Bigelow Tea wanted to find a solution that would replace its paper-based system and create a centralized repository to increase document search and distribution time.

**THE STRATEGY**

Bigelow Tea explored several different technology solutions and with the help of a consulting group, SOURCECORP Boston, decided to use Digitech Systems ImageSilo for a number of reasons:

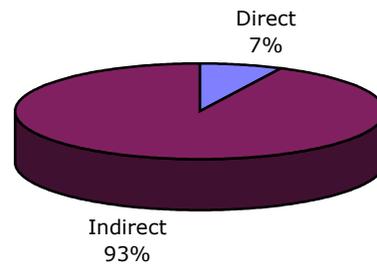
- ImageSilo’s document repository provided Bigelow with the electronic storage capabilities it needed to improve productivity and reduce offsite storage costs.
- Given Bigelow Tea’s existing IT infrastructure and available resources, the company felt that ImageSilo’s on-demand model better suited its needs, and demanded fewer additional support costs than traditional applications.
- Bigelow liked that Digitech’s reseller, SOURCECORP, could provide the hosting and offsite storage for supporting ImageSilo.
- Bigelow liked that ImageSilo satisfied the company’s concern for internal controls and could provide secure storage of sensitive accounting documents.

By the summer of 2002, Bigelow Tea had successfully implemented ImageSilo in the accounts payable department and began to see an immediate increase in employee productivity. Management was so impressed by these results that they pushed for broader adoption across the company. Over the next few years, Bigelow Tea deployed ImageSilo to automate processes in accounts receivable, customer service, sales, purchasing, and the tea division.

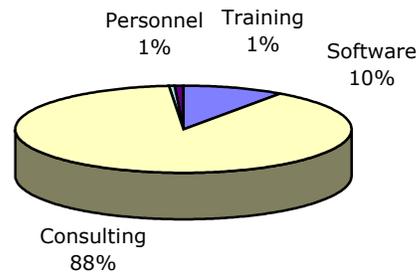
**KEY BENEFIT AREAS**

Moving to ImageSilo has enabled Bigelow Tea to improve productivity, reduce costs, and streamline its business processes to support greater profitability. Key benefits from the solution include:

- Avoided seasonal hires. Because ImageSilo reduces the need for paper storage, Bigelow Tea no longer has to hire a seasonal employee at the end of the year to pack up stored documents and prepare them for offsite storage.
- Reduced offsite storage costs. With SOURCECORP scanning all new documents into ImageSilo, Bigelow Tea has reduced offsite storage costs and the need for additional storage space within the office.
- Streamlined auditing processes and workflow. Yearly audits were typically a huge headache for Bigelow Tea, but with ImageSilo auditors have electronic access to information and are able to complete audits more quickly.
- Improved productivity. Since using ImageSilo, Bigelow Tea’s accounts payable department has seen a five percent productivity increase in its employees that results in \$25,000 a year savings.

**BENEFITS****TOTAL: \$88,223****KEY COST AREAS**

The calculated cost areas for Bigelow Tea's ImageSilo deployment include ImageSilo services, training, personnel, and consulting. Consulting is the largest cost area because Bigelow Tea outsources document scanning services and application hosting to SOURCECORP. The software costs for ImageSilo are calculated based on the amount of information scanned and stored in ImageSilo's repository.

**COSTS****TOTAL: \$56,841****LESSONS LEARNED**

Organizations tend to find that by phasing technology deployments departmentally, they are more likely to be successful and achieve greater returns. Bigelow Tea chose to deploy ImageSilo one department at a time to test whether or not the technology was a suitable investment for the rest of company. By doing this, Bigelow Tea was able to realize how the solution could help reduce its growing amount of paper flow and increase productivity across several departments.

**CALCULATING THE ROI**

Nucleus calculated the costs of software and consulting over a 3-year period to quantify Bigelow Tea's total investment in ImageSilo. Direct benefits calculated included avoidance of new and seasonal employees and reduced offsite document storage costs. Indirect benefits including increased productivity of employees in accounts payable were calculated based on the average fully loaded cost of employees.

Bigelow Tea was able to yield such significant returns, because many of the company's manual and paper-based processes were eliminated by deploying ImageSilo. In addition, ImageSilo's on-demand model allowed Bigelow Tea to achieve an even greater ROI by not requiring the company to incur additional IT expenses.

The company has since increased the returns from ImageSilo by extending its use in accounts receivable, sales, customer service, purchasing, and the tea division. These benefits, including more than 170 hours of saved time each year managing promotional fee compensation projects, a 75 percent increase in sales administrator productivity, reduced customer inquiry response times by 10 minutes per case, reduced photocopying, faxing, and mailing costs, and reduced employment costs through attrition, were not quantified in this study because they occurred beyond the calculated timeline in years four and five of the deployment.

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# DETAILED FINANCIAL ANALYSIS

## Bigelow Tea

### SUMMARY

Project:	<b>Digitech Systems's ImageSilo</b>
Annual return on investment (ROI)	<b>813%</b>
Payback period (years)	<b>0.12</b>
Net present value (NPV)	<b>11,782</b>
Average yearly cost of ownership	<b>18,947</b>

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	2,100	2,100	2,100
Indirect	0	27,308	27,308	27,308
<b>Total Benefits Per Period</b>	0	29,408	29,408	29,408

<b>DEPRECIATED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	0	0	0
<b>Total Per Period</b>	0	0	0	0

<b>DEPRECIATION SCHEDULE</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	0	0	0
<b>Total Per Period</b>	0	0	0	0

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	1,850	1,850	1,850
Hardware	0	0	0	0
Consulting	500	16,650	16,650	16,650
Personnel	409	0	0	0
Training	433	0	0	0
Other	0	0	0	0
<b>Total Per Period</b>	1,341	18,500	18,500	18,500

<b>FINANCIAL ANALYSIS</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes	10,908	10,908	10,908
Net cash flow after taxes	5,454	5,454	5,454
<b>Annual ROI - direct and indirect benefits</b>			<b>813%</b>
Annual ROI - direct benefits only			-1223%
<b>Net present value (NPV)</b>			<b>11,782</b>
<b>Payback (years)</b>			<b>0.12</b>
Average annual cost of ownership			18,947
3-year IRR			812%

### FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%