

Kofax White Paper

“Current business processes don’t necessarily need to be revamped to put (capture) technologies to work. The return on investment is relatively easy to calculate, and it is often very compelling.”

— IDC

The Business Case for Automating Document Driven Business Processes

An Enterprise Approach to Capture

The benefits brought from automating document intensive business processes cannot be overstated. In the US and Europe alone over 20 million tons of office paper is produced and consumed every year. The use of paper remains pervasive across many industries, resulting in high administrative overhead costs and too many points of failure as documents are routed throughout the organization.

For example, the US federal government consumes over 110,000 tons of paper annually. The cost to file a single paper document is \$20, while searching for a misfiled document costs \$120 and reproducing a lost document is estimated to cost \$220. The total cost of printing, copying, storing and mailing is 10 times the original purchase price of the paper itself.

The paper problems are especially severe within the health care sector. Health care premiums rose 114% between 1999 and 2007, while wages increased only 27% in the same period. A major part of the problem is that health care remains a paper intensive industry, with nearly 90% of patient and claims related information still being paper based. In fact, a survey in The New England Journal of Medicine found that 31% of every dollar spent on health care is spent on administrative costs. However, in the US, only about 8% of the nation’s 5,000

hospitals and 17% of its 800,000 physicians currently use automated electronic patient records.

Yet another example of the avoidable expense of paper is with invoice processing. A recent research report by Aberdeen Group found that 75% of companies surveyed employ predominantly paper based processes to manage their accounts payables (AP) function, taking as long as 33 days to process an invoice at a cost of \$37. Paper based invoice processing is labor intensive and subject to multiple points of failure – from the time an invoice is received until it is matched, validated, reconciled and finally paid. Accounts payable staff spend 40% of their time researching information to simply respond to basic supplier inquiries such as invoice receipt and payment status. AP staff also lack sufficient visibility into their cash management processes and cannot maximize financial advantages from early payment discounts.

Document Capture Moving to Mainstream Adoption

Within these document intensive applications, early adopters of capture tools have been the individual departments most affected by slow and expensive manual paper processes. Frequently each front office department would discover the benefits of capture independently, with little cross-departmental consideration.

High volume document capture systems have also been found in the back offices where the same document functions had previously been performed manually. Many of these forms processing operations process incoming paper documents in batches using high volume scanners. In its early days, capture's role was almost exclusively one of scanning to a manually indexed archive.

Unfortunately, centralized capture operations separate data entry from the very business processes they intend to serve. Moreover, when document capture is only used at the end of a process, organizations fail to realize the benefits of integrating data capture with transactional business processes. The benefits of early capture include eliminating paper as soon as it enters the organization, reducing points of failure, accelerating business processes, improving customer service and shifting resources away from tedious labor intensive tasks to higher value activities.

Given the clear benefits, progressive companies around the world are moving document capture to the beginning of the business process. The accelerated adoption of desktop scanners and multifunction peripheral devices (MFPs) provides an indicator of this changing landscape. There is a shift toward transactional capture solutions that enable organizations to directly and reliably integrate capture into their document driven business processes.

Document capture has evolved far beyond its roots in scanning to archives. Document capture systems now feed and initiate transactional and time sensitive business processes, enabling document driven business process automation by:

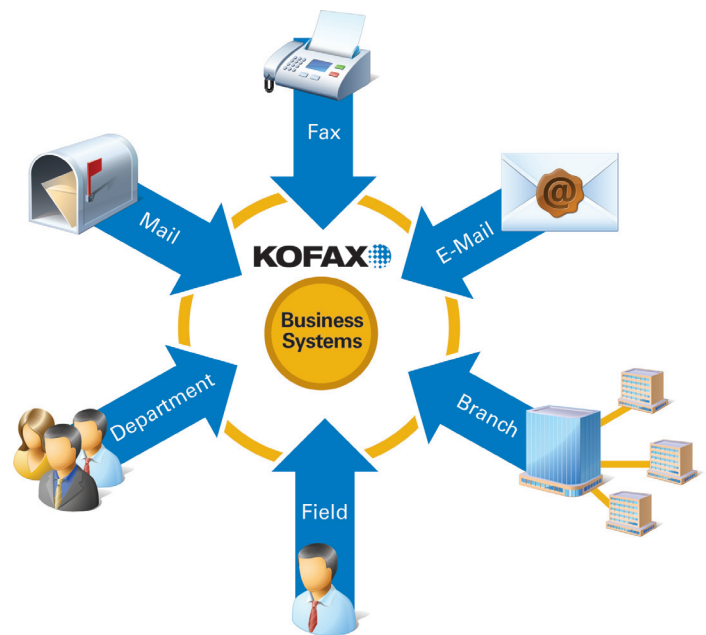
- Transforming paper based documents into digital images as soon as they enter the organization;
- Delivering outstanding image quality for any scanned document;
- Capturing, classifying, extracting and validating any document or form, regardless of format or type;
- Automating the straight-through processing of information into workflows and business systems; and
- Auditing the processing of all documents from point of receipt through to archiving.

Enterprise Capture and Business Processes: It's All About Synergy

The key advantage to taking an enterprise approach to document capture is the ability to immediately deliver extracted and transformed data directly into business systems. Moving from scan-to-archive to “scan-to-process” has profoundly changed the strategic importance of capture as an enterprise standard. Harvey Spencer, one of the leading analysts in the area of document capture, observes that capture “has allowed companies to expand their capture solutions from departmental to enterprise. They are seeking to use common capture software across multiple business areas,” he reports. This allows organizations to contribute to (and initiate) multiple document intensive applications with the same underlying document capture platform.

According to the most recent research from Spencer’s firm Harvey Spencer Associates (The 2009-10 Worldwide Market for Document Capture Software Report), the document capture software market grew in 2008 (in the midst of an economic downturn) by 7.7% and it is expected to exceed \$2.7 billion annually by 2012. This growth is attributable in part to the exponential benefits now possible with an enterprise view of capture deployments.

Most transactional business processes cut across multiple departments, and so too do their documents. Both paper and electronic information may enter a transaction at any point, so capturing business relevant documents at whatever point they influence a transaction ensures there is no interruption in the transactional workflow. This “straight-through processing” offers a number of tangible advantages. Specifically, paper documents no longer slow a business process but become an interconnected part of the



process. Relevant paper and electronic documents can be captured and processed using the same methodology and capture infrastructure. This leads to an overall reduction in expenses (which can be realized at the bottom line), faster decision making, improved cash flow and enhanced customer service.

Some examples of this process continuity can be seen in a mortgage approval workflow. Various batches of document data must be consolidated as part of a loan application. Appraisals, credit reports, house inspection reports and a range of other paper based documents are assembled in the process. These are usually captured in a back office scanning operation with images available to loan officers at geographically dispersed branch offices.

Unfortunately, as often occurs, when a single overlooked document must be located and added to the loan file, it causes costly delays in the approval process. However, in a distributed capture environment, where multiple departments access and share information in a collaborative business process, any misplaced item can immediately be added to the file. A customer

might simply stop in at a local branch with addendum documents, and the branch staff can use an inexpensive desktop scanner or workgroup MFP to instantly add these documents to the transaction—in progress.

Distributed, enterprise-wide document capture offers similar benefits in the insurance industry, where remote agents provide applications, payments, and related documents to a centralized home office. No longer should a policy change or last minute payment interrupt coverage, as all networked offices can capture and share paper based information with the same ease as an electronic message.

This ability to communicate information from both paper and electronic formats gives department managers and corporate decision makers a heightened sense of situational awareness. Senior managers can trust that the information upon which they base their critical decisions is the most current available. This has far reaching implications for a range of investment decisions and for matters such as line-of-credit requests, data security and regulatory compliance.

Extending the Value of Existing Document Capture Investments

Business processes rely equally on both front and back office operations. The centralized capture, data crunching, back office operations have proven themselves to be an extremely efficient means of extracting information from high volume structured documents. Likewise, capture deployed by multiple departments in the front office has established its value in improved customer service and process efficiency. Semi-structured documents such as invoices can now be scanned “locally” and the document content reliably and accurately extracted.

The reality of today’s work processes makes this a hybrid world. Scanning need not be a “here or there,”

front or back office operation. The key is to get the two sides communicating more efficiently. By taking this enterprise approach to capture, organizations can greatly increase the return on their existing investments in both staff and technology. The network infrastructures, which have become an organization’s communication backbone, are that much more effective when paper based and electronic information can be seamlessly integrated.

Document repositories become more than storehouses of archival records when ongoing transactions can access and update information in real time. As for investments in personnel, workers enjoy substantial productivity gains when paper documents do not interrupt work, but are simply a connected part of any business process. Employees are not only able to focus on higher value tasks, but are also more productive in an environment of real time information sharing.

This organizational responsiveness leads in turn to additional benefits. Customer service improves when “waiting for documents” can be eliminated from the corporate mentality. Vendor relations improve when payments are no longer delayed due to missing verifications. Regulatory filings are more timely, payments are received more quickly, and most importantly, businesses can react instantly to a changing environment, which offers a distinct competitive advantage.

Technology and Process in Harmony

Enterprise capture synergy means extending the value of existing technology. For example, simple ad hoc scanning capabilities such as scan-to-email and scan-to-fax features can greatly enhance current investments in office automation tools. When built on a common capture platform, each department’s favored communication tool—email, fax, MFP or desktop scanner—can be immediately integrated without additional investment.

Maximizing the potential of an integrated, enterprise-wide, document capture platform requires consideration of how well the existing technologies interact. As with networking efforts of the past, a highly customized, proprietary infrastructure will be more expensive to implement and difficult to manage. Cross-departmental collaboration can be hampered if the tools don't play well together. With a standards based platform, many of the compatibility issues that plagued earlier collaboration attempts can be avoided.

An organization's centralized, high volume capture infrastructure must work in tandem with the distributed document capture processes prevalent in individual departments. For all areas to communicate easily, an organization should have a stable, consistent architecture. A unified infrastructure ensures that both scan-to-archive and scan-to-process capture operations are able to work harmoniously, feeding data into a cohesive business process.

Ideally, the capture platform will provide the scalability needed to meet the full range of document capture demands, from individual desktop and ad hoc workgroup users all the way up to production level volumes. A single provider should be able to offer consistency across all areas. In addition to offering a consistent platform in both the front and back office capture operations, the capture platform should be equally adept at processing the range of documents types coming into transactional business processes.

Rather than designating separate software products for different document types—structured, semi-structured or unstructured—a single vendor that can handle all three provides consistency in user interface, key features and functions. Further, the system should be designed to accept both paper documents (scanned) as well as

electronic content. With the right solution in place, it shouldn't matter what form documents arrive in.

Early Data Capture Makes for Better Content Management

The content acquisition objective of traditional scan-to-archive is not diminished by an enterprise capture approach. In fact, a document management system or similar content repository remains a central part of any records retention infrastructure. However, the quality of the data being stored improves as a result of more timely, point-of-entry based capture. Information captured at its earliest point in a business process workflow is critical in driving relevant internal processes; it is also more current and reliable when accessed.

Further, index data upon which records retrieval systems are built can be automatically populated with references appropriate to the many departments involved in a transactional record's creation. Once data is extracted and validated, stored information can be indexed—and therefore accessed—in the context of the many users involved in a business process workflow, as opposed to restricting content storage to a more static filing structure.

Most organizations employ multiple document repositories throughout their business. There are very few companies that have established an enterprise content management (ECM) standard. An open architecture document capture system is ECM-agnostic. When accessing a record, it needn't matter where or how transactional data entered the process or ultimately resides. A scalable, standards based capture system should be able to interface with any document management system and help foster collaboration between content repositories.

Conducting a Needs Assessment

The first step in establishing an enterprise approach to document capture is to carefully review the types and formats of information that are entering an organization. Wherever paper based information is present, both front and back office operations should have ready access to document scanning tools with appropriate performance capacity. Ease of use is critical for front office staff to ensure that converting paper documents to electronic form becomes routine.

A clear understanding of what data is needed by various business processes will help when selecting the right classification and extraction tools that can be used to further automate manual handling and reduce bottlenecks. It's important to have each department in a transactional workflow represented when making these decisions, as information that is critical to one area may be of little significance to another department.

An experienced capture vendor such as Kofax can provide a project manager to work with the internal staff who are assessing the current document processes and can make recommendations for integrating capture into existing business processes.

Experience Counts

With over 20 years of experience dedicated to document capture, Kofax has built its reputation providing software solutions that automate document driven business processes. Kofax tools manage the capture, transformation and exchange of business critical information, whether from paper, fax or electronic formats. Key to the company's success is an adherence to a scalable, standards based, consistent architecture that easily integrates with existing systems. This allows for immediate implementation of its capture platform and related modules.

For back office document processing, Kofax Capture collects data from documents and forms, transforms it into accurate, retrievable information, and delivers it into business applications and databases. Kofax's open architecture makes it compatible with a range of scanners and other capture devices. The software can be fully integrated with existing ECM and document management systems, workflow applications and databases.

In front office environments, Kofax Front Office Server allows forms and documents to be captured at their point of origin using multifunction peripherals (MFPs), desktop scanners and fax machines. This enables customer facing employees to trigger back office business processes simply by pressing a button, using familiar front office equipment. This increases responsiveness and provides superior customer service while reducing operational costs.

Capture into Process in Practice

The Kofax enterprise capture platform addresses multiple document driven business processes spanning multiple areas, including sales order processing, claims processing, records management, mailroom automation and invoice processing. In many cases, customers measure ROI in a matter of months.

Financial Services

Upromise Investments, a securities firm managing 783,000 state-sponsored "Section 529" college savings accounts, has chosen Kofax technology to streamline the company's transaction processing. The efficiencies brought by capture have helped Upromise reap a savings of more than \$6 million over four years while reducing the average handling time per transaction from 12 minutes to less than two minutes. Upromise has reduced its personnel needs from 175 employees to 33. This staff of 33 is currently processing 22,000

transactions per day, approximately 73 times more than the daily 300 transactions processed previously.

Banking

One of the largest financial services institutions in the US selected Kofax to provide solutions in three divisions:

The wholesale banking division captures data from about 60 million insurance forms, customer account documents, credit applications, tax forms and invoices received annually from its network of banking locations; the business banking division captures and extracts data from about 11 million related financial documents annually; and the corporate properties unit automates its accounts payable process by capturing and extracting data from the thousands of invoices it receives annually.

Government

The US Bureau of the Census, the nation's leading source of statistical information about its people and economy, selected a Kofax solution to digitally capture, match, categorize and process more than 17 million pages of employment applications and background materials per year. The Kofax enterprise solution electronically captures and transforms documents that must be legally assessed and verified quickly, securely and accurately, enabling the organization to reduce time consuming manual tasks, automate paper intensive activities and process vital data more cost effectively.

Business Process Outsourcing

MailSource UK, a leading business process outsourcing (BPO) provider of mailroom and document management solutions, selected a Kofax distributed capture solution to support customers across Europe, including a major financial services company. The Kofax solution enables MailSource UK to capture, classify and extract data from incoming mail and deliver the resulting images and data in a standardized format to customer workflows and

repositories. This reduces manual processing, decreases operating costs, increases data accuracy and productivity and improves profitability. It also enables the BPO firm to meet service level agreements that specify the delivery of images and data within hours of their receipt.

Health Care

The leading regulator of health and social care services in England selected a Kofax solution to automatically receive, exchange and output information from more than 3 million medical records annually. The Kofax solution enables the agency to receive documents from social workers, field representatives and agency staff via fax for processing and thereby consolidate and streamline its communications into a centralized, automated system. This reduces labor intensive, mistake prone manual processing tasks and allows faster processing times, significant cost savings and better compliance with stringent health information privacy and security mandates.

Invoice Processing

One of the world's largest providers of cable, entertainment and communications products, serving millions of cable, high speed Internet and digital telephone customers, selected Kofax to provide an enterprise level automated invoice and expense report processing solution. The Kofax solution captures and extracts data from more than 8 million invoices and expense reports annually. As a result, the organization can automate manual, paper based business processes, reduce costs and improve their operational efficiency. It further ensures that extracted information from paper documents is accurate and valid before it is used, resulting in fewer exceptions, improved data quality and faster processing.

Summary

The Kofax enterprise capture platform offers unmatched scalability from centralized to highly distributed environments, from individual desktops to enterprise deployments and from basic archival scanning to powerful document classification and separation and data extraction. The company's market leading technology supports a wide variety of input devices and line of business applications, providing a strong enterprise-wide platform on which to standardize document driven processes.

Information enters organizations in a number of ways—paper, fax and electronic—so a comprehensive capture system must accommodate documents regardless of their format. When integrating documents into existing business process workflows, a scalable capture platform built on an open architecture ensures compatibility between existing hardware devices, relational databases, content management systems and related network infrastructures.

With a move toward an integrated enterprise approach to document processing, organizations can reap exponential benefits from their capture investments, significantly improving the efficiency of document-centric operations and reducing costs while improving process quality.

An enterprise capture approach offers the following tangible benefits:

- Immediate cost savings;
- Reduced redundancies;
- Increased information accuracy;
- Eliminated delays;
- Decreased repetitive manual handling;
- Increased productivity;

- More secure document control;
- Ability to react more quickly to inquiries; and
- Faster, more reliable decision making.

Document intensive business processes are much more efficient in an environment of front and back office symbiosis. An enterprise approach to capture results in lower costs, better document security, increased productivity, improved customer relations, simplified regulatory compliance and faster exception processing. Enterprise capture is a compelling investment that offers a demonstrable ROI that's relatively easy to calculate.

About Kofax

Kofax plc (LSE: KFX) is the leading provider of document driven business process automation solutions. For more than 20 years, Kofax has provided award winning solutions that streamline the flow of information throughout an organization by managing the capture, transformation and exchange of business critical information arising in paper, fax and electronic formats in a more accurate, timely and cost effective manner. These solutions provide a rapid return on investment to thousands of customers in financial services, government, business process outsourcing, healthcare, supply chain and other markets.

Kofax delivers these solutions through its own sales and service organizations, and a global network of more than 1000 authorized partners in more than 60 countries throughout the Americas, EMEA and Asia Pacific.

For more information, visit www.kofax.com.