



The Cost of Managing Paper: A Great Incentive to Go Paperless!

By [K.J. McCorry](#)

Date: Sep 16, 2009

Article is provided courtesy of [Que](#).

[Return to the article](#)

Efficiency expert K.J. McCorry, author of [Organize Your Work Day In No Time](#), revives our interest in the long-promised paperless office by talking about how much all that "cheap paper" really costs.

Do you know how much your company spends per year to manage paper? Across the Fortune 1000, office document expenditures exceeded a staggering \$217 billion in 2002—more than \$7,500 per employee, according to a 2003 ALL Associates [white paper](#). Resource Information Systems Inc. (RISI) [estimates](#) that U.S. companies will spend about \$8 billion per year on managing paper. A 2005 [study](#) by the Minnesota Office of Environmental Assistance estimated that associated costs could be as much as 31 times the purchasing cost of paper, which includes not only actual price, but storage, copying, printing, postage, disposal, and recycling.

What really goes into estimating the costs of managing paper? These estimates and figures include a host of items that relate to paper management—the cost of purchasing paper, printing costs, fax/copier equipment and supplies, distribution, mailing costs, courier services, filing supplies and cabinets, storage space, as well as staff time spent in handling, managing, and filing paper.

Paper management costs vary from one company to another, depending on how each company is configured and which costs that particular company associates with paper. Companies that are considering paperless systems need to know not only the costs associated with implementation of such systems, but also the current costs of managing data in paper format.

Implementing paper-reduction measures could save your company more money than you might think. Even in this electronic age, much of corporate memory still exists on paper. Through simple paper-reduction methods, an office could reduce paper costs by 20–25%. For example, by implementing paperless investment statements, Citigroup [saved](#) millions on paper costs over the course of a few years. American Century [estimated](#) that paper costs associated with its customers were cut approximately 90% when the company converted to online statements. As each of these companies learned, more than just the paper itself contributed to the cost of document management.

The True Costs of Paper

The typical U.S. office worker [uses](#) more than 10,000 sheets of paper per year, which is about 2 cases of paper per employee. With an average price of \$40 for a case of standard copy paper, this is an \$80 annual cost per employee. The cost of the paper is only about 10–11% of the lifecycle cost of that paper, according to a government study conducted by California's Alameda County. The main costs of paper documentation fall into copying, delivery, handling, storage, and retrieval of that paper, with copying costs at 33% and distribution costs at 56%, according to the Alameda study. Other studies show that for every dollar spent on printing documents, companies incur another \$6 in handling and [distribution](#) of the paper.

NOTE

The Alameda County study was reported in Mandy Haggith's book *Paper Trails: From Trees to Trash—The True Cost of Paper* (Virgin Books, 2009).

According to PricewaterhouseCoopers, the average organization spends about \$20 in labor to file each paper document, approximately \$120 in labor [searching](#) for each misfiled document, and \$220 in re-creation of a document. A [study](#) conducted by Deloitte & Touche in the early 1990s found that U.S. managers spent an average of three hours a week looking for paper that had been misfiled, mislabeled, or lost. IDC Research [estimated](#) that the typical enterprise with 1,000 knowledge workers wasted \$2.5 to \$3.5 million per year searching for information and re-creating lost documents. Considerable time is still wasted and used inefficiently in managing paper documentation, especially when a high percentage of the data is created and generated electronically.

Storage of documents is another high cost associated with paper. In my own research I've found that, depending on quality and brand, filing cabinets can be expensive, running as high as \$1,000 for a sturdy standard five-drawer lateral filing cabinet. Then you must account for the cost per square footage of office space consumed by these storage units; the average filing cabinet uses 15.7 square feet, and the current U.S. average cost of office space is \$15–\$20 per square foot, so you're paying roughly \$236–\$314 per filing cabinet solely for the

real estate it consumes.

Current estimates show that 50–70% of space in an office is still dedicated to filing and storage of documentation. The real clincher is studies showing that over 45% of the files in those cabinets are [duplicated](#) information, and 80% is never accessed again. Because of U.S. regulations and our litigious culture, most of the paper stored is saved in case of legal liability, compliance, and/or audits. Once filed away, most of this documentation is never accessed or needed again. A further waste consists of papers printed and stored that really are never needed at all. A recent Xerox [study](#) found that more than 45% of office papers could be discarded on the day they were printed.

Technology Cost of Managing Data

Of course, we must also consider the costs involved in the technology needed to manage data and become paperless: installing and managing IT systems, cost of equipment, energy use, and time and manpower needed for setting up paperless processes and procedures. Companies must consider the long-term value and return on investment of a robust paperless IT system and process. In reality, however, technology cost is inherent today with or without paper. But without paper, costs can go down considerably. A mere 150GB hard drive has storage capacity equivalent to that of 70 filing cabinets—at less than \$200 for the hard drive. Cost of filing cabinets and floor space for those 70 filing cabinets? \$22,000! IT professionals clearly see the cost savings in going paperless, in a KRC Research report, respondents chose [paper management](#) as the top cost-reduction initiative.

Document management programs are becoming an increasingly useful tool to reduce paper dependency, but there are many ways to reduce paper. Citigroup [determined](#) that if each of its employees used double-sided copying to conserve just one sheet of paper each week, the firm would save \$700,000 each year. Bank of America [cut](#) its paper consumption by 25% in two years, simply by increasing the use of online forms and reports, double-sided copying, and lighter-weight paper. Companies need to examine the ways in which paper is used; then, with simple waste-reduction options such as changing printer settings, paper costs can be reduced almost immediately.

Paper is an enormous cost to companies and an even higher cost to the environment. Configuring a company's paper cost is the first step in understanding the company's dependence on paper. Once these costs are calculated, a company can begin to take appropriate measures to reduce paper.

Calculating Your Own Paper Cost

Using a form like the following, a company can calculate its own annual cost of paper expenses.

Type of Cost	How to Configure	Total Estimated Annual Paper Cost
Paper	Monthly paper cost multiplied by 12 months	
Onsite file storage (filing cabinets)	Number of filing cabinets multiplied by 15.7 square feet, multiplied by the cost per square foot of space	
Onsite file storage (bankers boxes)	Number of shelving units (with bankers boxes), multiplied by the square footage used, multiplied by the cost of rental space per square foot	
Offsite file storage	Monthly cost of offsite storage multiplied by 12 months	
Printer/copy machines	Annual printer/copy machine rental cost plus annual printer/copy machine maintenance cost	

Printer/copier toners	Printer/copier/fax toners purchased (for the year)	
Filing and office supplies	Cost of filing supplies such as file folders, hanging files, tabs, labels, binders, and so on (for the year)	
Employee time	Approximate number of hours per office worker managing paper multiplied by the number of office workers, multiplied by the average hourly wage, multiplied by the number of workdays in the year	
	TOTAL COST	

Automated Paper Calculators

A few automated systems are available online to calculate your paper cost and the environmental cost of using paper. Following is a list of some of the paper calculators you can use:

- The [Office of the Federal Environmental Executive](#) offers a free [paper calculator](#) that calculates the energy and wood consumption and environmental impact across the full life cycle of various paper types.
- [Inland Productivity Solutions](#) offers a [paper calculator](#) that helps to determine costs for managing paper-based filing systems. It calculates paper and storage costs as well as labor costs.
- [Save As Paperless Solutions](#) offers a Word document [paper calculator](#) that presents a framework to add up monthly costs of paper management for a total year cost.
- The [Environmental Defense Fund](#) offers a [paper calculator](#) that focuses on environmental aspects to help quantify the benefits of various paper choices.
- [Nee Nah Paper](#) offers a [paper calculator](#) that calculates the environmental impact and savings of using various papers.

*K.J. McCorry is the owner of [Efficiency Enterprises, Inc.](#), which provides productivity and sustainability consulting services. She is the author of [Organize Your Work Day In No Time](#) and is currently working on her second book, *The Paperless Office* (scheduled for publication in 2009). She has a B.A. in psychology and international business from Metropolitan State College and an M.A. in business from the University of Denver.*

© 2009 Pearson Education, Inc. All rights reserved.
800 East 96th Street Indianapolis, Indiana 46240