

Heidelberg AG Implements eFax System: Saves Time and Money

Heidelberg AG is the world's leading provider for the print industry, providing sheet-fed, digital and web press systems as well as pre-press and post-press components, software and consumables for all printing applications. Headquartered in Heidelberg, Germany, the company has nearly 25,000 employees in 170 countries, and a substantial manufacturing and support network, including 18 plants and 250 support centers worldwide, to serve its 240,000 customers. Heidelberg posted sales in excess of \$5 billion for its fiscal year 2002 – a five-fold increase in just a decade.

The company's success over the past 10 years created some challenges for managing customer relations. The rapid sales growth resulted in a significant rise in the number of sales contracts processed by the company, from an average of 700 per year to more than 7,000 per year. The paper-based system they were using to process contracts had improved during the last decade, but was now considered obsolete. It was taking 30 to 90 days to complete even the simplest order. This was significantly longer than it took competitors to process orders, leading to the perception that Heidelberg had grown arrogant and was too big and cumbersome to respond quickly to customer needs.

Heidelberg knew it needed to streamline the order process to stay competitive and combat growing customer dissatisfaction. They experimented with several different document delivery methods to eliminate their growing paperwork problems.

The Bottleneck

The ordering process at Heidelberg was overly bureaucratic. It involved creating a packet of information locally and then forwarding it to various facilities for processing. A typical packet included: a cover sheet (1 page), a conditional sales contract (4 pages), a price breakdown sheet (1 page), an order information sheet (1 page), a credit application (1 page) and up to 10 additional pages of information needed to clear and bill the order properly. The local office, which was responsible for profit control, contract language review and accuracy of data entered into an SAP system, would review the document and forward it to The Regional Technical Center in Kennesaw, GA for review by the legal, used equipment, operations, and service departments.

A copy of the approved package was then returned to the originating sales representative to confirm acceptance. A normal order could require the routing of up to 19 different copies of the entire package. Each copy was sorted by department, individually mailed to the appropriate location

and then forwarded to the corporate office, local sales representative and regional sales management.

Once the various departments received their copy of the contract, each one had to file the order and wait for approvals. Regional offices had to wait for each department to clear the order in the computer system prior to contacting the customer for a delivery date. After the delivery date was established, the office scheduled the delivery of the equipment from the rigger/warehouse to the customer.

Looking for Solutions

Heidelberg investigated a number of possible solutions for solving its paperwork logjam. Heidelberg's IT department proposed an electronic contract processing system that was very costly and would take six to nine months to develop and test. This proposal was rejected.

Since the standard procedure for processing RUSH orders involved manually faxing documents instead of mailing it to departments, it was decided to focus on faxing as a way to streamline the customer order process. All departments had fax machines, so there was no additional hardware expense in moving to a fax only approach.

Replacing overnight mail distribution with nearly instantaneous distribution by fax offered some time savings. It removed the penalty for missing the daily mail pickup and ensured that processing an order began in the central office the day it was received from the local sales representative. The reduction in express delivery expenses more than covered an increase in phone charges caused by the fax delivery; even though it took more than seven minutes of phone time to fax an 18-page order document – the maximum size encountered.

However, despite time savings, faxing the orders did not reduce the paperwork. Up to 19 copies of any single order were needed for internal review, routing and approval. In addition, each department would receive up to six separate faxes for each order. Staff members were quickly becoming inundated with paperwork. So with minimal gains in productivity, other solutions were investigated.

There were a number of trade articles about the significant savings in labor and expenses when companies installed systems that generated online purchase orders that could be either emailed or faxed to vendors. Heidelberg felt that developing a way to generate the entire order online would lead to significant savings.

There were two options for online document distribution that would easily fit into Heidelberg's existing ordering procedures. One involved the installation of complex fax servers within the IT structure to distribute documents from desktop to desktop. Another involved the use of eFax, a Web-enabled fax distribution system that allowed users to send faxes using their existing email.

Installing fax servers required a significant investment in hardware and maintenance so it was rejected. The eFax option, however, involved a per page charge for fax transmissions that was lower than the telephone charges encountered with the standard faxing of a document. The company set up an eFax trial to evaluate potential savings.

Calculating the eFax Advantage

The eFax service gave each user their own fax/phone number and delivered faxes as email attachments that could be easily forwarded to other user's email boxes. When users checked email, faxes appeared as standard one-line items that were easily opened by double-clicking their mouse. It was determined that a fax received using eFax takes about 22 seconds at a cost of about \$0.09 per fax (based on a labor rate of \$15 per hour). That represented a savings of \$1.22 per fax when compared with manual faxing and a total savings of \$1.30 per sales package per user.

Using eFax also resulted in a reduction in the cost of supplies. Manual fax machines automatically print out every page, but users with eFax only printed about one in four faxes received. This, coupled with the lower cost of supplies for laser printers as opposed to laser fax machines, lead to a savings estimated at \$0.08 per fax. With the volume of faxes projected each month, the eFax installation fee of \$250 would be recovered in a few weeks.

Heidelberg decided to test these savings estimates. The company prepared two separate order packages and distributed one through traditional interoffice fax machines and the other with eFax. The order contained six pages of documents that were distributed to 11 different destinations. The traditional faxing method took six minutes to prepare and distribute while eFax took just 2.5 minutes. Savings for a larger, more complicated 25-page order that was distributed to more than 20 different people were more dramatic. Traditional procedures took more than 25 minutes while eFax did the job in 3.5 minutes.

In both tests, eFax delivered the documents to the personal email inboxes of the people that needed to see them, while the traditional faxes sat in the interoffice mail outbox waiting for distribution to the proper person. Further, eFax made it simple to create a group address that could accommodate a number of distribution points for each fax, while group faxing with a manual fax machine was complicated and error prone.

Live Testing of eFax

Since the Beta test showed dramatic process efficiency improvements, Heidelberg conducted a live test on a single sales region. eFax set up a toll-free number that served as the input portal for transmissions and a bank of dial-in direct (DID) phone lines that were dedicated to individual users. After two weeks, the company evaluated the pilot program with regional sales and department heads and received an overwhelmingly positive response. The office found the extra days saved by using eFax helped speed up credit approvals and cited its ease of use, secure fax transmission procedures and eFax's ability to annotate documents electronically within the email application as key selling points.

Final eFax Implementation Results

With the success of the live test, it was decided to put eFax into full production across all 10 Heidelberg sales regions in the U.S. This implementation was complete within two months and the following savings were identified almost immediately:

- An annual reduction in express delivery charges for interoffice mailings of more than \$100,000.
- A dramatic improvement in order processing time without additional staff. It was now common to complete the orders and schedule their delivery in less than 15 days – a process that had taken up to 90 days before eFax.
- A 75% reduction in the cost of copying or printing materials. Staff now copied or printed only one in four order packets.
- The electronic archiving of all orders in a central database replaced the voluminous paper copies that were previously stored in filing cabinets throughout the U.S.

As word of eFax's success spread, other departments implemented eFax's paperless processing applications within their areas:

- The tax department now uses eFax to archive tax exemption certificates.
- The parts department uses eFax to transmit and store their proof of delivery tickets for customers.
- The service department uses eFax for its work order distribution and retrieval system.
- The accounting department uses eFax as its major document retention system.

Throughout Heidelberg's U.S. offices, eFax continues to save both time and money. Customer orders are processed in a matter of hours rather than days and since eFax is web-based, important information is stored and easily managed on computer. The company is looking to implement eFax in all offices, both domestic and abroad and most importantly, Heidelberg has eliminated the perception that it is too cumbersome to react quickly to customer needs.