Offsite Records Storage Cost Reduction Strategies

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Despite spending billions on office automation technology to facilitate the adoption of digital documents, organizations still create and store a large but decreasing amount of paper. Even with paper storage volumes decreasing, offsite paper storage costs continue to grow and vendors continue to see their revenues increase at nearly 10% per year with profits growing even faster. Successful in squeezing more fees out of less paper storage through complicated storage contracts, these companies are successful at extracting high fees from a declining market. Punitive removal fees make switching vendors difficult. Making matters worse, poor, error-prone billing practices and complex invoices that are difficult to reconcile with a contract also add to these increases. At a time when most companies expect to spend less on paper storage, they are often spending more.

## **Top Three Reasons Offsite Storage Costs are Increasing**

*Shift to Ancillary Fees* – While in many cases the average monthly storage fee per box is decreasing to support revenues, vendors have shifted to ancillary administrative fees. Similar to how airlines now make much of their profit on baggage and other extra fees, the record storage companies have followed the same game plan. For example, every time a vendor touches a box for inventory, retrieval, or destruction there are multiple fees and usage transactions. These fees are often deeply hidden in contract language, and while at first glance may appear somewhat immaterial, in reality, they can comprise the bulk of a monthly bill. Today the actual amount spent on offsite record storage can represent as little as 20% of total fees. The other 80% represent a variety of other charges.

*Vendor-favored Billing Inaccuracies*– Obsolete billing systems have created an unforeseen windfall for vendors. Reviews of customer invoices have uncovered steep billing error rates, with more than 50% of typical invoices containing errors, resulting in overcharges of up to 35%.

*Stranded Boxes*– Most organizations discover that 40% (or more) of their paper documents are either redundant, obsolete or trivial (in that those records need not be retained) or have been kept past their retention schedule date. In short, companies pay offsite vendors millions of dollars per month for content that shouldn’t have been stored in the first place.

## **Reducing Ongoing Storage Costs**

|  |  |  |
| --- | --- | --- |
| Storage Costs | Billing Fees | Management Fees |
| Box retrieval/access | Fuel surcharges | Online access |
| Box removal | Itemized invoice | Box inventory list management |
| Permanent box removal (e.g., if moving to a new facility or destroying old records) | Invoice by department | Onsite room use |
| Delivery | Price increases |  |
| Box size variations applied to the above | Minimum fee |  |
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For many, burdensome storage costs coupled with punitive box removal fees feel like an unavoidable tax. However, increasingly, organizations are taking a step back and developing strategies both for recovering overbilling, and also reducing long-term record storage costs and volumes:

*Reducing Costs with Requirements-based Smart Contract Negotiations* ***–*** The contract and billing complexities put companies at a disadvantage when it comes to renegotiating contracts and, by extension, their actual costs. Examples of these are almost endless, but Table 5 lists some actual storage costs, billing related fees and management fees. Companies that understand exactly how much they spend on which areas are in a position to negotiate better contracts. This can result in savings ranging from 24-45%.

Table 5. Examples of ancillary fees found in contracts

*Recovering Overbillings* ***–*** Detecting invoice errors can be a daunting task requiring specialized skills and, sometimes, even a legal background as contracts need to be matched to invoices, which are multi-page and contain itemized details. The business function reviewing invoices needs detailed knowledge of contract provisions to determine the accuracy of charges. Note that box management activity is billed in arrears and storage is billed in advance. Both are on the same invoice.

***Reducing Costs and Risks with Offsite Records Remediation –*** Ultimately, the biggest savings occur when records are destroyed in accordance with records management policies. Over-retained records (and other non-record extraneous materials) result in higher costs beyond just those with the offsite vendors. An effective records remediation program can reduce those costs and risks. The key is making sure that the records are defensibly deleted using a formal program.

Paper is not going away any time soon which means that offsite paper storage will remain an ongoing expense. Smart companies will analyze their current contracts with offsite vendors in order to balance and reduce future costs. Many companies will find they have overpaid and have an opportunity to recover fees inappropriately billed. Expert advice from outside independent consultants can play a critical role both in identifying recoverable costs and in negotiating more favorable contracts.

## **Additional Information on This Topic**

## **White Paper:**

## **Reducing Your Offsite Paper Storage Risk and Cost**

## This White Paper discusses strategies for recovering overbillings, reducing overall

## physical records storage costs and reducing the volume of offsite records stored.

## To view a complimentary copy, visit [www.contoural.com](http://www.contoural.com)

## **Webinars:**

**Out With the Old: Paper Remediation Strategies**

You’ve got mountains of boxes stored away somewhere in a storage unit you’ve never seen. It’s likely that you also haven’t seen (or needed) a lot of the paper documents that are stored in those boxes. Many organizations are facing a dilemma: there are too many boxes that need to be destroyed, but it’s more expensive to destroy them than to keep them. What can you do? Join us on this webinar as we discuss steps you can take to cost-effectively begin to get rid of the old information you no longer need. To view the webinar, [click here](https://youtu.be/L-nWzaIRcBU).

**Renegotiating Your Offsite Paper Storage Contract**

While organizations shift their focus away from paper and towards electronic information, they’re left with byzantine agreements with their offsite storage vendor without making sure that the current and future retention needs of the company match their vendor contracts. Taking into consideration the company’s records retrieval, records destruction, and overall needs is not usually at the top of the priority list, but it can save you headaches and money in the long run. How can you make sure that you’re not overpaying? How can you renegotiate your contract to match what you need?

 To view the webinar, [click here](https://youtu.be/3e5APp6UVQ4?t=1m40s).

**Top 5 Tricks Paper Storage Companies Play to Keep You Paying Extra**

Even though paper use is decreasing in companies, offsite records storage bills keep going up, and Legal often has to pay the bill. On average, less than 30% of record storage costs are actually the monthly storage fees. Faced with decreasing volumes, record storage companies have found other fees, surcharges and other tactics to keep costs highly cloaked in byzantine agreements and error-prone billing systems. This hands-on, practical session will review finding billing errors, figuring out where you really spend money, recouping fees generated from billing errors and how to save significantly going forward.

To view the webinar, [click here](https://www.youtube.com/watch?v=rHWFabkfz-E).

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