

a white paper

**Dramatically Improving Retail Document Management:
The Benefits of Distributed Capture Solutions**

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This white paper will examine the challenges that retailers face with their existing paper-based document management methods. The paper will also demonstrate how Lexmark Distributed Capture solutions allow retailers to enable remote employees to efficiently meet the needs of managing sensitive information within today's complex retail business environment.

Even with the ability to transmit documents electronically, the realization of a paperless office is not yet a reality. Inevitably, there are times when hardcopy documents created by outside sources need to be incorporated with digital documentation. Examples of these hard copy documents are paper invoices delivered with merchandise from outside vendors, credit applications manually completed in-store, and original signature-required HR documents. With a distributed capture system, both digital and hard copy documentation can be managed more efficiently.

Distributed Capture is defined as a workgroup solution that provides users with the ability to scan, capture and save documents in a highly secure digital format that can be electronically and automatically distributed to one or more remote destinations. It is called Distributed Capture because the system both captures data from paper documents and can then distribute that data in any number of ways, including e-mail, fax, exporting of metadata from a digital document into an enterprise application, or file transfer to a shared server folder or directory.

With a Lexmark Distributed Capture solution, retailers have an end-to-end information storage, retrieval, and distribution system that provides encrypted document security and timely distribution to multiple remote destinations in an easy-to-use fashion. By using this Distributed Capture solution, retailers can prevent most of the human errors that result from manual paper-based procedures, and can minimize distribution inefficiencies, misplaced information, identity theft and legal liabilities.

Managing Paper Creates Operational Issues for Today's Retailers1

Understanding the Challenges with Paper-Based Retail Document Management2

Understanding a Distributed Capture Solution3

How Lexmark Distributed Capture Solves Paper-Based Document Challenges5

Concluding Summary7

In an era of increased identity theft, an industry like retail that is known for its high degree of employee turnover can no longer afford to have sensitive information lying around on a manager's desk.

Managing Paper Creates Operational Issues for Today's Retailers

For years, retailers have relied on paper-based documents and forms for most of their internal business processes. The practice of viewing, copying, editing and transferring paper documents — such as employment and credit applications, personnel and other human resources documents, and financial and budgetary statements — has been performed without much focus on the sensitivity of their content.

But now, the manual processing of paper documents has been made more sensitive as a result of several federal workplace regulations, such as the Health Insurance Portability and Accountability Act (HIPAA), which was enacted by Congress in 1996. HIPAA established guidelines that enable an individual to have control over his/her personal information and not have it used or divulged to others without express permission. Under HIPAA, any entity (such as an employer) in possession of personal information is required to safeguard that information from unauthorized disclosure and could be held financially liable for failing to protect it.

In addition to federal workplace laws, other workplace-related issues plague the retail industry's reliance on paper-based business processes. In an era of increased identity theft, an industry like retail, known for its high degree of employee turnover, can no longer afford to have sensitive information lying on a manager's desk, waiting for wandering eyes to either copy or steal personal information.

Retailers must also deal with the gross inefficiencies of having to handle, copy, distribute, file, store and retrieve paper documents, and the slow task execution speed and inefficient levels of productivity that result.

Paper documents create costly overhead, inefficient processes and potentially serious liability and litigation exposure for retailers who are unable to secure, manage and account for the sensitive information contained in their paper-based documents and forms. In today's business environment, retailers with many store locations need a document solution that can capture sensitive information at the local store level and facilitate its distribution to internal and external entities in a secure and efficient manner. The ideal solution would also enable retail enterprises to reduce their exposure to litigation while lowering operating expenses and improving employee productivity.

Lexmark has solved the problems associated with processing and distributing paperwork and managing sensitive information found in paper documents and forms. Lexmark's Distributed Capture solutions for the retail industry facilitate the rapid capture and distribution of customer and business information with systems and software that are easy to use and administer. These solutions reduce potential information security threats and their resulting exposure of litigation, facilitate compliance with employment and information regulations, and also improve store-level information-handling productivity.

This white paper will examine the challenges that retailers face with their existing paper-based document management methods. The paper will also demonstrate how technology can enable local store employees to efficiently meet the needs of managing sensitive information within today's complex retail business environment.

Understanding the Challenges with Paper-based Retail Document Management

There are five distinct challenges facing large retail operations in managing personal and financial information via paper-based documents. They are as follows:

- 1. Security** – Securing documents within the retail workplace represents the single greatest challenge for retail establishments, especially at the local store level. Due to the physical proximity that a manager's office usually has to the retail sales floor, store employees and patrons present an on-going opportunity for unauthorized access. Since managers' offices are often left unattended, situations such as an open desk drawer or personnel file carelessly left on a manager's desk create real risk of personal or financial information theft.
- 2. Execution Speed** – The faster that information is processed and verified for accuracy, the better the result, especially in the areas of personnel administration and inventory management. Relying on conventional postal delivery or interoffice mail to send documents from a store to a retail headquarters can add days or weeks to the process, creating slower transactions and higher operating costs, and increasing the likelihood of lost documents. In relation to employee hiring, it's important to have an employee registered in an HR system quickly so that appropriate background checks can be conducted, payroll checks can be processed on time, and employee benefits can begin to accrue. For inventory deliveries — especially those that are made directly from the vendor to the store level — it can be critical to get documents to the accounts payable department quickly, so that vendor discounts can be applied.
- 3. Productivity Inefficiencies** – The more opportunities that a retail operation has to remove paper documents from their business processes, the more likely that productivity will increase as a result. In manual paper-based operations, the greater the number of people who touch a document, the higher the likelihood for human error. Oftentimes, an important document must be delivered to several employees in different departments. This delivery process relies on the ability of each employee to handle the document correctly and quickly. The risks and consequences of failure along the way are very real. For example, the failure to research a fraudulent credit application on time could expose a retail operation to liability. Also, an HR department that loses an employment form can be liable for government penalties and/or expensive litigation.
- 4. Wasted Storage Space** – Storing paper records limits a business's ability to quickly retrieve information. And because paper documents are often filed in only one place, convenient access for multiple users is restricted. Access is often further restricted by an inconvenient location (sometimes offsite) for older or closed files. For example, a headquarters HR department who needs a critical piece of information from a long-term or terminated employee's file may spend a considerable amount of time locating and retrieving the "document from its stored location. Paper documents also restrict the ability of efficiently conducting an accurate analysis across documents of a particular type. For example, in order to plan for the holiday workforce, an executive may want to compare how many temporary workers were hired last year. All the relevant employment files would have to be physically located and gathered, and a considerable amount of time would need to be devoted to performing the information calculations and analysis. All of these practices waste valuable time that could be used for other areas of productivity. Further, the physical storage of vast amounts of paper result in wasted physical space, increased overhead to pay for that space, and the risk of document loss or destruction.

5. Complicates High Employee Turnover - High employee turnover is an industry-wide challenge for most retail operations. Processing a high volume of employees with a paper-based system is highly inefficient. Not only does it generate volumes of paper that must then be organized, filed, stored and tracked, but there are other risks and challenges as well. Personnel (often non-sophisticated workers) must be trained to properly handle, process, and file the paper documents and forms. Execution speed, accuracy and productivity all become issues. And the risks for security breaches, as well as HIPAA and/or other federal guideline violations, further complicate the handling of employment-related paperwork and raise liability issues. Lost or misplaced documents also add gross inefficiencies, including time spent looking for missing paperwork. Clearly a solution is needed.

To address the challenges of paper-based documents for large, multi-site retail enterprises, Lexmark has created a new document management paradigm: the Distributed Capture solution for paper documents.

What is Distributed Capture and how does it work? To understand how Distributed Capture solves operational challenges for the retail industry, it is helpful to know how the solution is implemented, how it works and the capabilities it provides.

Understanding a Distributed Capture Solution

Distributed Capture is defined as a workgroup solution that provides users with the ability to scan, capture and save documents in a highly secure digital format that can be electronically and automatically distributed to one or more remote destinations. It is called Distributed Capture because the system both captures data from paper documents and can then distribute that data in any number of ways, including e-mail, fax, exporting of metadata from a digital document into an enterprise application, or file transfer to a shared server folder or directory.

The process of capturing information from a paper document into a digital file that can be distributed within the enterprise is illustrated below:

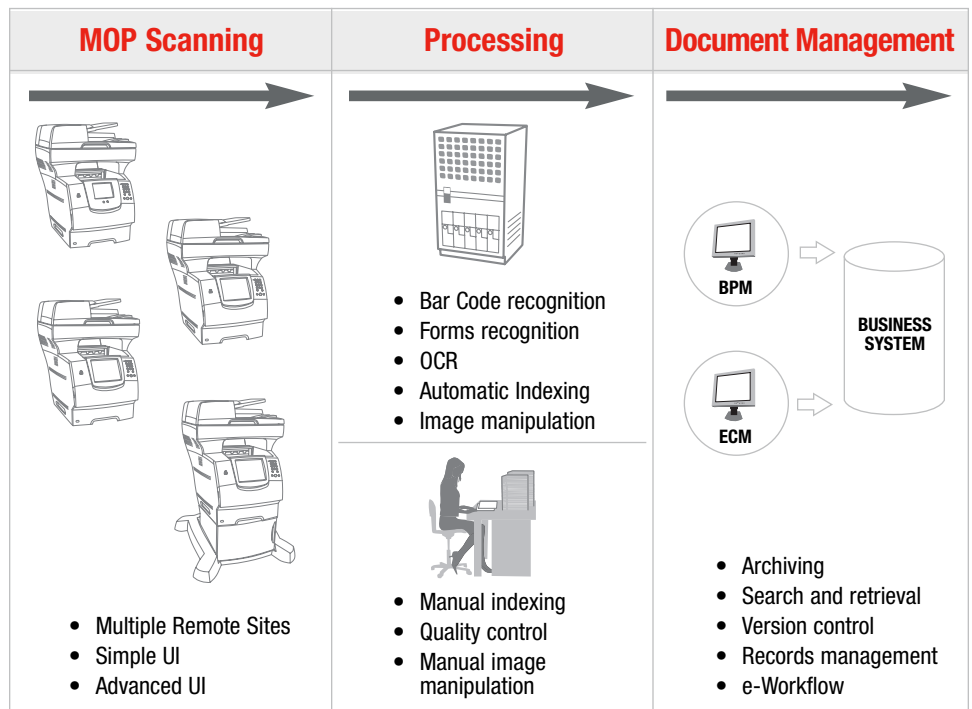


Figure 1: The Steps of a Distributed Capture Workflow

Step 1: Metadata Encryption – The intuitive Lexmark multifunction printer (MOP) touch screen presents a series of questions that require a simple response from the user. The answers to these questions will insert specific indexing information (referred to as metadata) into the file, and will be used to describe the document contents for later retrieval. For example, with an I-9 employment form, the user will be asked to enter a few, quick pieces of information, such as the employee name, social security number or employee number. The value-added data is stored along with the image of the document. This facilitates the ability of any authorized manager, corporate executive, or enterprise application to retrieve the document or any metadata based on a specific set of criteria.

Step 2: Document Scanning – An employee scans a document into a multifunction (MOP) device that has distributed capture software installed on the device's built-in hard drive. Since the device can be connected to any corporate network in a variety of ways, it can send and receive information accordingly.

Step 3: Security Encryption - The scanned digital file is saved to the hard drive which is encrypted using a highly secure 128-bit data encryption algorithm. In the event that the physical MOP device is stolen or requires repair, the encrypted data files contained on the hard drive are not compromised and remain secure from unauthorized viewing.

Step 4: Process Distribution - The document's distribution destination will have been programmed to automatically deliver the file to predetermined locations in the format referred by the receiver (e.g. e-mail text, e-mail attachment, fax, or shared folder). Users at the store level will not need to identify where or to whom the documents are to be distributed. This automated distribution reduces decision-making required at the store location. The document distribution can simultaneously include a combination of formats. For example, a digital image of the document can be sent as an e-mail attachment, as a file automatically inserted into a shared folder on an internal corporate HR server, or faxed to an external private investigation firm to conduct a background check. The specific functionality of software that provides these process-related questions would be designed and set up by the corporate IT staff. The IT staff would also have full administrative privileges to establish software and security consistency across each store location, as well as to prevent any subsequent changes from being made at the local store level.

Step 5: Document Process Verification – In certain applications, such as the hiring of a new employee, several different documents and forms are usually required. With Lexmark's Distributed Capture solution, intelligent information can be placed on each document. When the document is scanned, the system will check it against an internal list of all the required forms (which have been programmed into the software), thus ensuring that all necessary documents have been completed and submitted. If a particular form is missing, the system will recognize that, and the store or supervisory manager can be notified either immediately at the MOP touch screen or via e-mail.

Step 6: Secure Transmission – Since many retail documents contain sensitive personal and/or financial information, the MOP uses the industry-standard security protocol called IPsec, or Internet Protocol Security, to send the document to its final destination. This protocol is a framework of open standards for ensuring private, secure communications over Internet Protocol (IP) networks through the use of cryptographic security services. Destinations can include a shared folder on an enterprise server back at the corporate headquarters, or an enterprise content management application where the previously

captured metadata can be imported into the applications' content database. For example, with direct vendor deliveries at the individual store level, the invoices are included with the deliveries. The invoices include critical financial information needed by headquarters, such as delivered quantity, invoice number, dollar amount, vendor name, store number, and date received. Using the MOP and Document Distribution software, the information can be easily scanned, along with an image of the invoice, and transmitted by the store manager to the headquarters' location. The invoice and its data can then be imported into an accounts payable system, processed for prompt payment and savings can be realized through discounts available for timely payments.

How Lexmark Distributed Capture Solution Solves Paper-based Document Challenges

The primary focus of both managers and sales personnel in today's retail environment is to sell and support customers, not administer documents. When it comes to managing paperwork, retailers need document management solutions that are simple, easy to use, foolproof and above all, efficient, so as not to take store managers and employees away from their primary job responsibilities.

Lexmark Distributed Capture solutions are distributed workgroup level solutions designed to bring essential document-related tasks closer to the user with an unparalleled user-centric design. These solutions apply a flexible user-friendly interface (Figure 2 below) that allows retailers to create customizable, icon-oriented functionality that walks a user through a document capture operation by cuing them for responses at each step of the process. Despite the traditionally high employee turnover rate in most retail locations, distributed capture ensures that critical document management functions can be accurately and consistently performed each time, regardless of the level of user knowledge or experience.

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Figure 2: The Lexmark Distributed Capture Interface

Lexmark Distributed Capture Solutions solve the problems associated with paper-based retail document management in the following ways:

- 1. Improved Security** – Lexmark solves the security challenges associated with paper documents in the retail workplace by storing them temporarily within the secure data warehouse located within our intelligent MOP devices. In addition, files can be transmitted at a predetermined time and location such as during the stores off-peak hours, after the store closes and network usage is lower. Once confirmation of delivery of the files to their destination has been recognized, the files on the remote store hard drive will automatically be deleted. This ensures a degree of verifiable security that complies with existing enterprise IT security rules and regulations.
- 2. Faster Speed of Execution** – The process of moving from paper-based procedures to an electronic file process minimizes the time required to complete essential tasks, often reducing time investment from weeks or months to a matter of minutes. Lexmark Distributed Capture solutions allow personnel to quickly perform multiple document-related tasks with a push of a button, enabling document files to be distributed to multiple locations anywhere in the world. This eliminates wasting valuable time copying documents, labeling folders, organizing filing systems, sorting and filing, and reduces the need for filing cabinets, filing rooms, file storage boxes and storage rooms.
- 3. Greater Cost Savings** – Minimizing the amount of time spent processing, distributing and storing paper documents can result in dramatic cost savings. The ability to instantly transmit a scanned document — for example, a credit application to a credit approval department — not only eliminates the labor costs associated with physically managing the document through a formal process, but also significantly reduces the time required to make a decision. As a result of increased processing speed, enterprise cash flow cycles can be improved. And, since the Lexmark distributed capture MOP consolidates several office functions into one single device, the enterprise is also able to realize additional savings. Savings often include lower overhead costs associated with lease and/or square footage expenditures, reduced supplies costs, such as paper and toner for copiers, faxes and printers, lower maintenance costs, plus savings on office supplies such as file folders, file labels, filing cabinets, etc.
- 4. More Efficient Productivity** – With Lexmark's customizable and easy-to-use software interface, an employee using the MOP is presented with questions/instructions that cue the user through the process of scanning, saving, gathering metadata and sending/distributing the document. Because interface icons can be pre-programmed to perform multiple functions by task, department, or destination, the MOP can be tailored to the specific needs of each retail department, enabling the automation of repetitive processes. As a result, retail employees can handle information more quickly, allowing personnel more time to focus on their mission-critical sales and support roles. The MOP can also be programmed to transmit documents during off hours without direct user intervention, alleviating the strain on the company's network during daytime hours when network traffic is at its peak.
- 5. More Efficient Storage Capabilities** – With a Lexmark distributed capture solution there is little need for boxes to store paper documents, which frees up the valuable retail space required to house them.

With a Lexmark Distributed Capture solution, retailers have an end-to-end information storage, retrieval, and distribution system that provides encrypted document security and timely distribution to multiple remote destinations in an easy-to-use fashion.

6. Facilitation of New Employees – With Lexmark distributed capture software and the MFP's customizable icon-oriented user interface, new employees are able to become more productive sooner. Lexmark provides tools and training to retailers to assist in customizing the software to address specific needs, for example, bi-lingual English/Spanish capabilities for geographic locations with an ethnically diverse workforce.

7. Central Administration – Lexmark Distributed Capture software can be set up and administered from a remote headquarters' location to facilitate transmission times, user interface options, software capabilities, and to retrieve valuable information stored on each device.

8. Small footprint – The Lexmark Distributed Capture MOP has a small footprint which can easily fit within the confines of the retail office environment, without requiring a significant amount of floor space. This allows the device to accommodate retail locations and save valuable room where tight working conditions exist.

Concluding Summary

With today's legal challenges and government regulations regarding the protection of personal information, the traditional approach of managing paper documents has become a liability in the modern retail workplace. Mismanaging important documents, such as credit approval forms and employment applications, can cause retailers to incur fines, litigation or both and can result in the levy of severe penalties for those who fail to ensure proper security.

In addition to security issues, the handling and distribution of paper documents is cumbersome, inefficient and costly.

With a Lexmark Distributed Capture solution, retailers have an end-to-end information storage, retrieval, and distribution system that provides encrypted document security and timely distribution to multiple remote destinations in an easy-to-use fashion. By using this Distributed Capture solution, retailers can prevent most of the human errors that result from manual paper-based procedures and can avoid distribution inefficiencies, misplaced information, identity theft and legal liabilities.

Lexmark Distributed Capture solutions provide today's retailers with the following powerful benefits that represent a dramatic improvement over paper-based information handling:

- **Security Assurance** – With the enhanced encryption capabilities of scanned and stored electronic document images, retailers can be more confident that critical documents will be safe from unauthorized access.
- **Rapid Dissemination of Information** – Retailers can accelerate the distribution of important documents, enabling quicker response and facilitating customer, employee, manager and vendor satisfaction.
- **Automated Routine Business Processes** – Using Lexmark's user interface, employees can take advantage of easy-to-use technology that speeds up repetitive processes and consolidates complex tasks, allowing personnel more time to improve customer service and generate incremental revenue.

- **Effective Process Management** – By implementing a distributed capture environment, retailers will be able to develop an effective and efficient long-term document output strategy that will reap financial rewards both now and in the future and will support business growth.
- **Significant Cost Savings** – Retailers can save significant budget dollars by consolidating the number and type of devices located within each local store branch, including reducing the number of supplies and services, floor space, copying charges and file supplies, as well as the personnel time needed to maintain them.

Lexmark International

Lexmark International, Inc. (NYSE: LXX) makes it easier for businesses and consumers to move information between the digital and paper worlds. Since its inception in 1991, Lexmark has become a leading developer, manufacturer and supplier of printing and imaging solutions for customers in more than 150 countries.

Lexmark's enterprise sales force is organized into industry-specific vertical teams that identify the unique challenges of each major industry in terms of output and workflow processes. Our solutions and customer-focused approach is what makes us different in the market, but our award-winning products are at the heart of our business. Lexmark is the only printer manufacturer that internally develops and owns all three core print technologies in the market. We pride ourselves on understanding our customer's specific needs and developing innovative solutions to meet those needs.

For More Information

For more information about Lexmark distributed capture solutions, please visit our website at www.lexmark.com.