

Basic Concepts of Starting and Operating a Commercial Records Management Business

Perhaps you have been considering entering the commercial records business. Since you are reading this article, chances are you have some interest in the concept of commercial records management. It's no big secret, people are creating a lot of paper and electronic records. In fact, more and more each year. After all, computers and printers are always getting faster. Someone has to manage this growing accumulation of records. As the quantity of documents grow, the more difficult it becomes for a company to organize, manage and locate records. A commercial record center provides these types of services to its clients. Records Management can bring a significant level of stability and diversity to your business. One of the great attribute of the record management business is that it has recurring revenues that are largely immune to down turns in the economy. Likewise as you will see, moving companies, have many of the components necessary to operate a successful records management business. This greatly reduces the cost of entry into the market. This article will provide a basic overview of the concepts related to starting and operating a successful records management business.

First and foremost, it is important to understand that the records management business is a service enterprise, not a just a storage business. Consequently, before we discuss the key elements of setting up a commercial records center, it is beneficial to provide a basic overview of the typical services provided by a commercial center.

Adding new items to inventory. In order to bill and track records that are stored in the records management storage facility they must be added to inventory using a computer software program specifically designed to manage the operations of a commercial records management business. This function of adding items to inventory is commonly referred to as indexing. When a new item is entered into the software, it is given a tracking number that is converted to a bar code. The software prints a bar code label, which is attached to the item. As the item moves about the facility it is scanned with portable scanners and the location is automatically updated in the computer system.

Storage. A commercial records center bills its clients for storing items in the facility. This recurring storage revenue is typically billed monthly or quarterly in advance, at a specified rate per cubic foot. On occasion, storage is billed semi-annually or annually. Interestingly, storage for documents is billed even when the items are checked out to the client. Tapes and other media are commonly billed based on high-water marks or average daily counts. These types of digital media must be stored in more secure areas with much greater fire protection. These more secure areas in a records center are commonly referred to as vaults.

Retrieving Items. When a client needs to view documents stored in the commercial center, the client is charged for locating and pulling the item(s) from storage. In most instances, the item is then transported to the client and the client is charged an additional fee for the transportation. In rare cases, the client may journey to the commercial records center to review documents. Typically, a commercial records center provides a viewing

room designed for this purpose. The client may be billed at an hourly rate for utilizing the on-site viewing room.

Transporting Items. Commercial records centers charge for transporting items to and from the client. The charges for transportation vary based on the type of service. Typically records centers offer a variety of delivery options such as next day deliveries, rush deliveries and after-hour deliveries. Normally, standard next day deliveries are scheduled based on cut-off times. For example, if a client makes a request by 4:00 pm one day, the item is delivered on the next weekday morning delivery run. A rush delivery is where a client calls and requests an expedited delivery. An after-hours emergency delivery occurs when the client makes a request for a delivery outside normal business hours. Not all commercial records centers offer after-hours deliveries, but commercial records centers serving medical accounts typically are required to offer this type of service.

Returning Items to Inventory. When a client sends an item back to the records center to be placed back in storage, the records center charges for returning the item to inventory. The records center also charges additional fees for picking up the item.

Other Services. Typically commercial records centers provide miscellaneous services for clients such as faxing, copying, converting physical documents to digital images, consulting services, shredding and hourly services. Likewise, they sell records management type goods such as boxes and media.

The foregoing discussion is intended to be a quick overview of the types of services typically provided by commercial records centers. For more information on how and what commercial records centers typically charge for services, please visit our web site or feel free to contact me directly at shyman@dhsworldwide.com.

Now let us discuss what is necessary to start a commercial records center. Records storage takes space. In order to operate a records management business, you must have a facility where records can be stored. In order to get space efficiency, a commercial records center will wish to have a facility that can efficiently store large quantities of records with proper shelving and fire control. Experts agree that a large warehouse facility with high ceilings is required for efficient operations. Opinions vary on the best ceiling height and racking layout, but an 18 feet high clear ceiling or greater is typical.

Racking is another key element of operating an efficient records center. Two types of configurations are common. Typically, records centers run parallel rows of racking from the floor to near the ceiling. Since, the racks of records extend up into the air many feet, it is necessary to use lifts to reach the boxes that are stored out of the reach of the service employees or to build mezzanine between the racks. When lifts are utilized, the racking must be spaced far enough apart for the lifts to operate between rows. One consideration in how high to go with racking is the capabilities of the lifts. Each lift has a limitation of how high it can extend. As racking becomes taller, the cost of lifts to service the racks increases significantly. Alternatively, some records centers like to run what is referred to

as mezzanine, every eight to ten vertical feet up the racking. The mezzanine serves as walkways for individuals who are pulling and putting away boxes, files and documents. Mezzanine racking is more costly, but provides higher density because the rows of racking can be closer together. Some proponents of mezzanine believe it provides greater efficiency for their warehouse employees who are servicing the records management accounts. Others believe that the increased cost of mezzanine racking cannot be offset by increased efficiencies. Another factor that should be taken into consideration when purchasing racking is the type of records that are being managed and their corresponding level of activity. Proponents of mezzanine believe it is best for active files. For instance, medical records and legal attorney files may be requested much more often than less active records. Very active records are often stored on open shelf configurations (i.e., not in boxes). This reduces the time necessary to locate, pull and put away items.

Fire control devices such as sprinklers are another consideration in the cost of racking. Fire codes in each jurisdiction vary and the requirements of your jurisdiction may affect your racking decisions. Make sure you price racking from multiple vendors. Since racking is very heavy, the cost of racking may vary based on how far you are located from the manufacturer. Locating a manufacturer near to your facility might lower your cost. A good racking company will help you understand the issues and will design your layout at no additional charge. Make sure to utilize a racking company experienced in records management sales.

Vehicles are required for transporting items to and from the client. Many records centers say that the company signage painted on the vehicles are one of the best sources for leads. Other companies choose not to put any signage on their vehicles, believing confidentiality is important. They use this confidentiality as a selling tool. Signage on the facility can also be a source of leads, but again some vendors argue that signage is inappropriate.

Another key element in the successful operation of a records management business is software. It is important to have software that is specially designed for operating a commercial records management business. Commercial records management software will track and automate the billing of all services performed for each client. Records management software interfaces with portable bar code scanners to track all movements of all items stored in the facility. Work Orders are created when services are requested by the client and are used to manage the workflow. When purchasing commercial records management software it is important to understand the long-term costs and licensing obligations. Many software companies offer only annual license fees. This means your software shuts down if you do not pay the software company money each year. Other companies offer perpetual license fees. In the case of perpetual license fees, you do not have to pay money each year to keep the software functioning. Client web access is a very important area of records management software. Using a specially designed web interface, records center clients make requests for service. The Web Orders automatically create Work Orders in the records management software. Some vendors allow the commercial records center to host its own web server. Others host your web server on their computers and charge the records center monthly fees for usage

and hard disk storage. Some vendors provide a license for an unlimited number of client users when you purchase the web module. Others charge for each client concurrent user license. Prior to purchasing any software, it is important to ensure that you completely understand all licensing costs. Another consideration is the software's ability to store and track electronic documents. Imaging will likely be a much more significant portion of your business and the market continues to mature.

The most important step to building a successful records center is acquiring clients. In order to ensure a successful records management operation, it is important to have a good marketing program. A successful marketing campaign will include a strategy that combines print advertising, telemarketing and face-to-face sales. It is important to develop professional looking brochures and marketing materials. Other good sources for leads can be local trade shows that target local businesses and a professional looking web site.

If you are new to the business, consider an experienced consultant. There are several very good experienced consultants that specialize in assisting commercial records centers. In the case of a startup, these professionals can help ensure your success by reducing the cost of entry into the market and by developing a professional targeted marketing plan. Make sure the individual has experience in the records management industry with skills that match your needs. Consultants typically conduct a market survey to assess the existing competition and the pricing for the market. A good counselor will help you identify leads and participate in sales calls.

An experienced consultant can also help locate the best sources and pricing for software, racking, equipment, vehicles and supplies. Likewise, a professional advisor can help you understand and develop alternative types of records and information management offerings. It should be noted that consultants are not only beneficial for startups, they can also benefit existing records management businesses that would like to increase their sales.

Another good source of information are trade associations. PRISM International is an association for professional commercial records managers. ARMA is an association for professional records managers. Most major metropolitan areas have a local ARMA chapter.

This article only provides a basic overview of some of the fundamental concepts of commercial records management. If you need more help please feel free to contact me and I will be happy to assist with more specifics. As a result of my position with DHS Worldwide, I have had the pleasure to interact with hundreds of commercial records center operators, including some of the most successful in the World. All successful records centers have one thing in common, a commitment to providing outstanding client service. In conclusion, starting a records management business is a commitment. In order to ensure a successful business enterprise, make sure you have planned well for your venture.

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About Steven J. Hyman and DHS Worldwide

Steven J. Hyman is president of DHS Worldwide, a software development firm. He has a degree in Computer Science and Business Administration from Vanderbilt University in Nashville, Tennessee. He also graduated with honors from the University of Miami School of Law. He has been actively involved in records management for over a decade and has written numerous articles about the industry. In addition, he has spoken at many conventions sponsored by records management organizations and has served on several committees that are associated with national records management associations. DHS Worldwide markets three different editions of its Total Recall™ Records Management Software. DHS Worldwide offers software solutions designed to cater to both the corporate and commercial records management industries. The Total Recall products are distributed and supported worldwide. For more information, please visit www.dhsworldwide.com or call (800) 377-8406.