

Reducing IT Expenditure through Measurable Digital Adoption

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■ Introduction

In the contemporary landscape of business, companies are channeling millions into Digital Transformation, reshaping corporate processes across a spectrum of domains such as HR, Purchasing, Sales, Marketing, Sourcing, Logistics, and Product and Application Lifecycle Management. This shift towards digital innovation has led IT departments to grapple with three distinct types of solutions: newly adopted or to-be-adopted solutions that present challenges in efficiently training users, in-place solutions that require ongoing maintenance, and legacy solutions that resist replacement and adaptation, often seeming outdated or unwieldy for new employees.

This paper delves into the fiscal implications and strategic considerations of these three scenarios under the umbrella of Digital Transformation. It underscores the necessity and advantages of employing Digital Adoption Platforms (DAPs) as a pivotal tool in mitigating costs and enhancing the effectiveness of these digital initiatives. We will explore how DAPs can reduce IT expenditure in the context of newly adopted technologies, maintain the efficacy of existing systems, and modernize legacy solutions to meet contemporary standards and user expectations.

The emphasis will be on quantifying the savings and operational benefits that DAPs bring to the table in each of these scenarios, backed by data and real-world examples.

The journey of digital transformation is no longer a choice but a necessity in the modern business world. Through this exploration, we aim to provide a comprehensive understanding of how Digital Adoption Platforms not only facilitate this transition but also ensure it is cost-effective, efficient, and aligned with the evolving demands of both employees and customers.

The Cost of supporting Digital Transformation

The landscape of digital transformation is evolving rapidly, compelling organizations to integrate a variety of digital solutions. This integration is part of a much broader trend, as the Digital Transformation market is projected to balloon to an astounding \$3.9 trillion by 2027, as reported by IDC. This growth signifies a paradigm shift in how companies view and implement technology.

We will focus on three different scenarios where Digital Adoption is beneficial:



Newly Adopted Solutions: This segment highlights the scenario where customers struggle to make users proficient with newly adopted or to-be-adopted solutions.



In-Place Solutions: This part focuses on the necessity of maintaining existing in-place solutions.



Legacy Solutions: This section illustrates the challenge with legacy solutions that are not easily replaceable and are often perceived as outdated or difficult to use by new employees.

Newly Adopted Solutions – Onboarding

Digital transformation necessitates significant investment, particularly in training employees on new systems. Without Digital Adoption Platforms (DAPs), the training cost ranges from \$7,000 for simpler applications to a staggering \$23,000 for more complex systems like ERP. This represents a considerable financial undertaking for companies, especially when considering the scale at which these transformations occur, typically impacting around 1,400 employees per organization.

Table 1

Cost of Initial Training without Digital Adoption:

The costs associated with training employees on new digital solutions can be substantial, varying significantly based on the complexity of the solution being implemented. These costs include not only direct expenses such as instructional materials and trainers but also the indirect costs associated with reduced productivity as employees become proficient in the new system. Here's a breakdown to clarify these aspects:



Easy Solutions (e.g., Timesheet or Trouble Ticketing systems) cost approximately \$7,000 per employee.

This includes the cost of developing or purchasing training materials, the time trainers spend delivering the training, and the lost productivity as employees learn to navigate these new tools effectively.



Medium Difficulty Solutions, such as Customer Relationship Management (CRM) systems, see the training cost rise to \$15,000 per employee.

The increase is due to the more complex nature of these systems, which requires more in-depth training and a longer period for employees to reach full productivity, thus increasing the indirect costs related to lost productivity.



Complex Applications, including Product Lifecycle Management (PLM) or Enterprise Resource Planning (ERP) systems, escalate the cost to \$23,000 per employee.

The complexity and critical nature of these applications demand extensive training and a significant amount of time for employees to adapt, leading to a considerable decrease in productivity during the learning phase.



Median Cost: On average, the median cost of training is around \$13,500 per employee.

This figure is indicative of the majority (about 70%) of training scenarios and reflects the blend of direct training costs and the indirect costs associated with the time employees are not fully productive. It impacts an average of 1,400 employees in a single company, underscoring the significant financial implications of digital transformation initiatives.

Understanding these costs involves recognizing the balance between necessary investments in training and the temporary reduction in productivity as employees transition to new systems. The goal is to minimize this period of reduced productivity through effective training, thereby mitigating the overall cost to the organization.

The listed figures for training costs per employee—\$7,000 for easy solutions, \$15,000 for medium difficulty solutions, and \$23,000 for complex applications—can initially seem quite high. However, whether these figures make sense depends on several factors, including the complexity of the software, the scope and scale of the implementation, the duration of the training, the productivity loss during the learning curve, and the indirect costs associated with the deployment of new systems.



Complexity and Scope: More complex systems like ERP or PLM involve intricate business processes and can significantly impact an organization's operations. Training for these systems often requires a comprehensive understanding of both the software and the business processes, which can justify higher costs.



Duration of Training: Complex applications often require longer training periods. This extended duration can include not only the direct training sessions but also follow-up support, practice time, and additional sessions to cover advanced features.



Productivity Loss: During the training period and the initial phase of using the new system, employees are typically less productive. This productivity loss, when quantified, can contribute significantly to the overall cost. For complex systems, the time taken to return to full productivity can be substantial.



Indirect Costs: Beyond the direct costs of training (such as trainers, materials, and software), indirect costs include the opportunity cost of employees' time, the impact on operational efficiency, and potential disruptions to business processes during the transition period.

While the figures might appear high at first glance, they reflect the comprehensive costs involved in training employees on new digital solutions, especially when considering both direct and indirect expenses. However, these costs can vary widely depending on the industry, the size of the company, the effectiveness of the training program, and the existing skill level of the employees.

For a more accurate assessment for your Company, it would be advisable to compare these figures with industry benchmarks or case studies from similar organizations. Additionally, investing in efficient training methods and Digital Adoption Platforms can help reduce these costs by speeding up the learning process and minimizing productivity loss.

In this following table, we assess the breakdown of the cost to train a medium-level manager on a medium difficult solution.

Table 2

Breakdown of Onboarding Costs Without Digital Adoption

\$13,000

Direct Cost of Employee Time*: for an average of 35 workdays. This time is calculated to be the sum of the time spent in trainings, both via classes or via e-learning, plus the time consumed in slower efficiency.

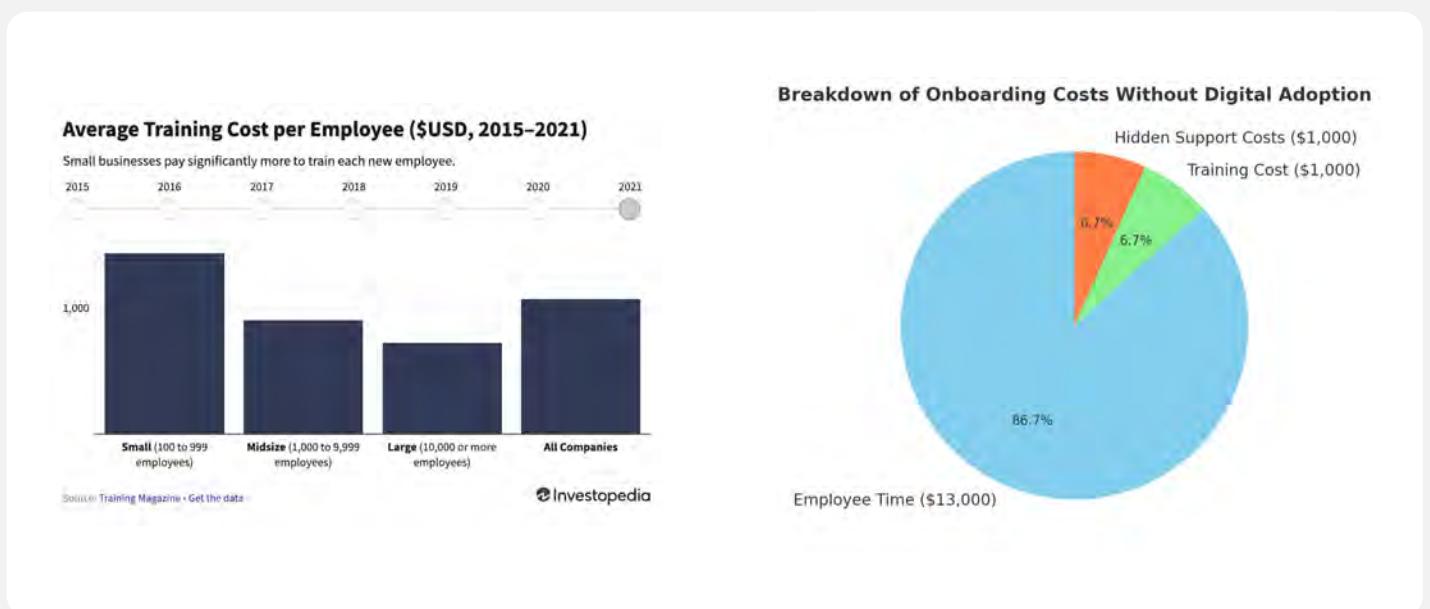
\$1,000

Training Cost**, including eLearning licenses or similar and creation of the training content.

\$1,000

Hidden Support Costs, including "hidden" peer-to-peer assistance and error correction.

Picture 1



In this context, the direct cost of employee time, the expenses associated with onboarding staff, the creation of training materials, and the often overlooked 'hidden' support costs contribute to a substantial financial burden. The aggregate of these expenses underscores the need for a more cost-effective approach.

(*) The Direct Cost of Employee comes from [Glassdoor](#) / (**) See [Investopedia](#) where the following picture comes from, representing the annual cost for training per employee

Impact of Digital Adoption Platforms while Onboarding

The implementation of DAPs marks a significant turning point in managing these costs. By streamlining the training process and enhancing the efficiency of onboarding, DAPs cut down the costs dramatically, leading to an average saving of 54% per employee.

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Table 3

Breakdown of Onboarding Costs With Digital Adoption

\$6,500

Direct Cost of Employee Time: for an average of 18 workdays.

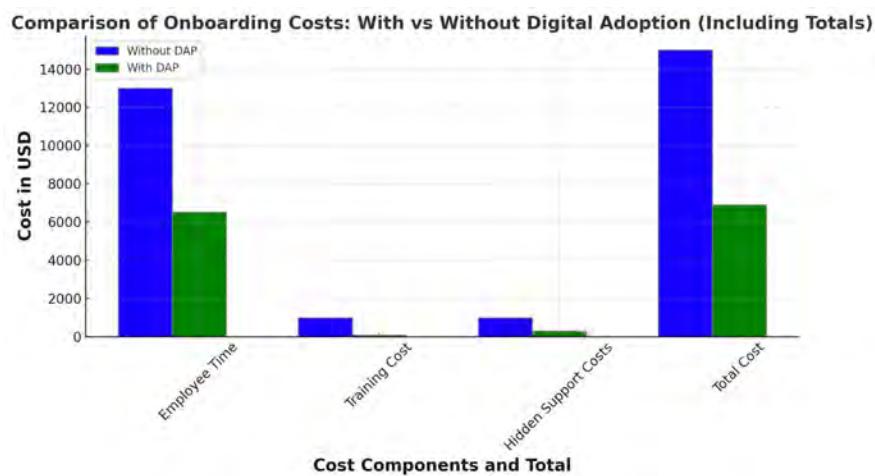
\$75

Training cost, including Newired® licenses or similar and creation of the training content.

\$300

Hidden Support Costs, including "hidden" peer-to-peer assistance and error correction.

Picture 2



Summary 1

Key takeaway: savings in the Onboarding phase backed by Digital Adoption Platforms. With the implementation of DAPs, these costs are significantly reduced, leading to an average saving of 54% per employee, which corresponds to a total of more than \$10 million for an average Company.

In-Place Solutions – Change

The journey doesn't end with the implementation of digital solutions. Continuous maintenance, updates, and support are essential to keep these systems effective. The cost of re-training employees for updates and changes without DAPs varies widely, demonstrating the ongoing financial implications of digital transformation.

Without DAPs, re-training costs can range from \$1,000 for minor updates to \$7,000 for significant system overhauls. This variability points to the necessity of a scalable and efficient training solution. The breakdown of these costs – covering employee time, support staff, training materials, and hidden support costs – reveals the ongoing challenge organizations face in keeping their workforce up-to-date.

Table 4

Cost of Retraining without Digital Adoption:

\$500	\$1,200	\$2,000	\$1,150
per employee	per employee	per employee	per employee
Small Change: For minor updates like a new feature or a new step in a process, the cost is about \$500 per employee.	Medium Change: In cases such as the introduction of a new practice (for instance, new KPI tracking and reporting), the cost increases to \$1,200 per employee.	Significant Change: For major updates like a redesigned version of the application, the cost goes up to \$2,000 per employee.	Median Cost: The average cost across various re-training scenarios is approximately \$1,150 per employee. This is indicative of around 70% of cases, affecting an average of 1,400 employees in a single company.

In the following table we analyze the breakdown of the average scenario "Median Cost" above.

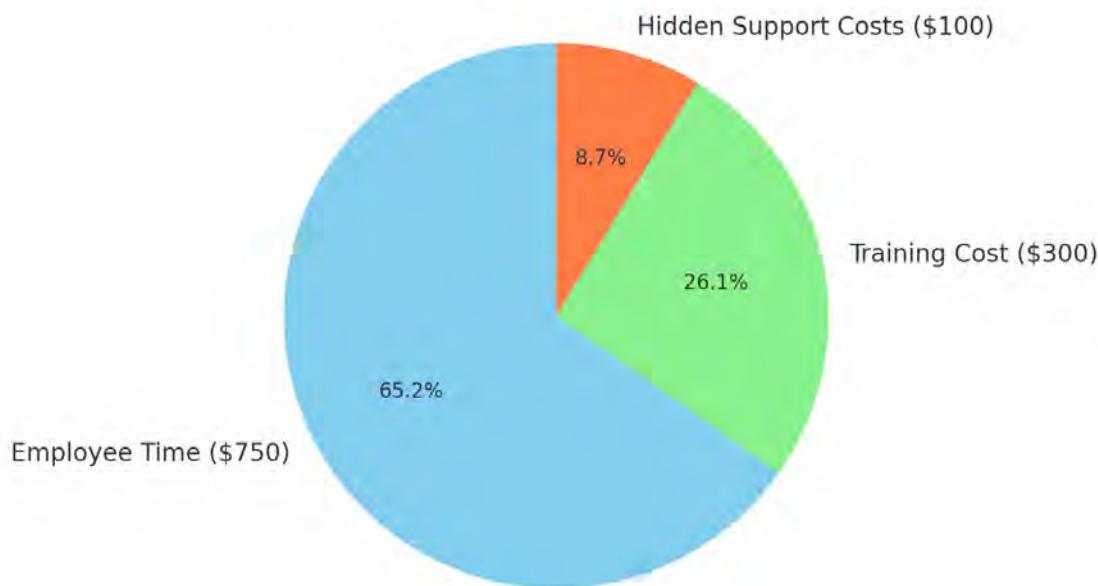
Table 5

Breakdown of Retraining Costs, for a single change, per person without Digital Adoption

	\$750	\$300
Direct Cost of Employee Time for an average of 3 workdays. This time is calculated to be the sum of the time spent in trainings, both via classes or via e-learning, plus the time consumed in slower efficiency.		\$100
		Training Cost , including support (biggest impact), and staff, including trainers, and IT managers, eLearning licenses or similar and creation of the training content.

Picture 3

Breakdown of Retraining Costs Without Digital Adoption



Impact of Digital Adoption Platforms while driving Change

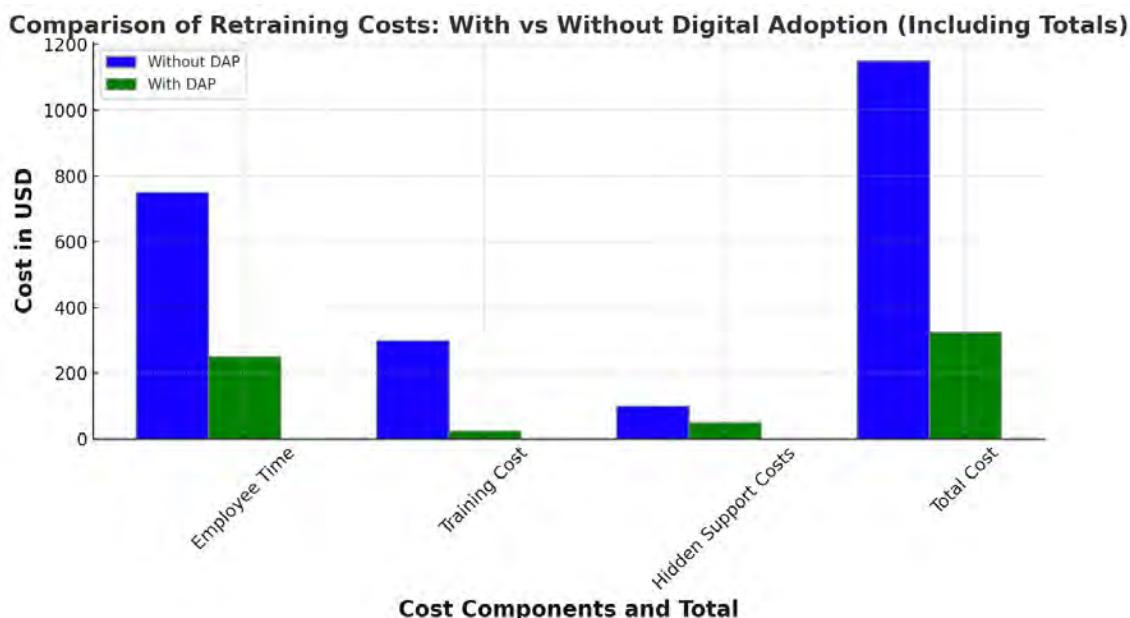
Here, again, the value of DAPs becomes evident. By reducing the re-training costs to an average of \$1,000 per employee, DAPs offer a 71.73% saving. For a company with 1,400 employees, this translates to a saving of about \$3.5 million per change, highlighting the substantial long-term financial benefits of these platforms.

Table 6

Breakdown of Retraining Costs, for a single change, per person with Digital Adoption

\$250	\$25	\$50
Direct Cost of Employee Time , for an average of 1 workday. This time is calculated to be the sum of the time spent in trainings, both via classes or via e-learning, plus the time consumed in slower efficiency.	Training cost , including Newired® licenses or similar and creation of the training content.	Hidden Support Costs , including "hidden" peer-to-peer assistance and error correction.

Picture 4



Summary 2

Key Takeaway: savings in supporting Change by Digital Adoption Platforms

Digital Adoption Platforms (DAPs) significantly reduce re-training costs during organizational changes, offering an average saving of 71.73% per employee. For a company with 1,400 employees, this equates to a remarkable cost reduction of approximately \$1.2 million per change, underlining the long-term financial benefits and cost-effectiveness of implementing DAPs.

Next

Legacy Solutions – Modernization

The final scenario involves legacy solutions that, for various reasons, cannot be replaced and must instead be modernized.

The challenges of maintaining legacy solutions with outdated user interfaces (UIs) manifest in two primary ways:

- **Internal Tools:** The primary issue here is employee inefficiency. Legacy tools often make simple tasks time-consuming and prone to errors.
- **Customer or Market-Facing Applications:** These applications suffer from low user adoption, as people generally avoid interacting with outdated or unconventional tools.

Impact of Digital Adoption Platforms in Modernizing Legacy solutions

Analyzing the benefits of Digital Adoption in these contexts can be complex, but our findings indicate significant improvements:



For Internal Legacy Tools: The introduction of Digital Adoption leads to a 40% reduction in interactions with internal support, as evidenced by fewer newly opened support tickets. Additionally, there is a 32% decrease in the number of messages per ticket.



For Public Applications: After implementing Digital Adoption tools, there's a notable 20% increase in application usage in terms of engaged users within a year. Engagement here is defined as users visiting more than three pages or performing at least five clicks.

Broader Implications of DAP in Legacy Systems

Beyond these measurable effects, Digital Adoption impacts legacy applications in several other important ways:



Improving Employee Retention: A key factor in job satisfaction is the work environment. The use of outdated, cumbersome tools can drive people away. Digital Adoption significantly mitigates this issue by providing a more efficient and user-friendly environment.



Enhancing Task Performance: Proper guidance through step-by-step instructions improves the speed and accuracy of task completion by employees.



Reducing Mistakes: Clear guidance also leads to a notable reduction in errors made by employees.



Facilitating User Feedback: In public-facing applications, gathering user feedback is challenging without Digital Adoption tools. These tools make it easier to identify and address user issues.



Boosting Company Reputation: The deployment of old UIs can negatively impact a company's reputation. Digital Adoption, being a relatively new and 'cool' concept, can positively influence this perception and modernize the user experience.

In summary, Digital Adoption not only addresses the technical challenges of legacy systems but also brings about broader organizational benefits, including enhanced employee satisfaction, improved user engagement, and a more positive corporate image.

Summary 3

Key Takeaway: Transforming Legacy Systems with Digital Adoption. Digital Adoption Platforms significantly modernize legacy systems, enhancing efficiency and user engagement. They reduce internal support interactions by 40% and increase user engagement by 20%, while also improving employee retention and task performance. Implementing these platforms not only streamlines operations but also positively impacts a company's reputation, making it a strategic necessity in the digital era.

Conclusion: Maximizing Value through Digital Adoption

As we navigate the complexities of digital transformation, the implementation of Digital Adoption Platforms (DAPs) emerges as a cornerstone strategy for organizations. This paper has explored three critical scenarios in which DAPs play a transformative role: newly adopted or to-be-adopted solutions, in-place solutions, and legacy solutions.



Newly Adopted Solutions: In this scenario, DAPs have demonstrated their ability to significantly reduce training and onboarding costs. By streamlining the process, the average total cost per employee is reduced from around \$15,000 to less than \$7,000, leading to a savings of approximately 54%. For a company with 1,400 employees, this translates to a staggering saving of more than \$10 million.



In-Place Solutions: For ongoing maintenance and support of existing systems, DAPs again prove their worth. The cost of re-training employees for updates and changes is substantially lowered from an average of \$1,150 to \$325 per employee, amounting to a 71.73% reduction in costs. For a standard-sized company, this means a savings of around \$1.2 million per change.



Legacy Solutions: In the case of legacy systems that are challenging to replace, the introduction of DAPs leads to improved efficiency and user engagement. While the exact financial savings are more complex to quantify in this scenario, the reduction in support tickets and increased user engagement point to significant cost savings and enhanced productivity.

Across all these scenarios, Digital Adoption Platforms not only facilitate a smoother transition into digitalized operations but also ensure that this transition is cost-effective and efficient. By reducing the time and resources needed for training and onboarding, decreasing the need for extensive support, and enhancing user engagement with legacy systems, DAPs offer a compelling value proposition for modern businesses.

In conclusion, the strategic implementation of Digital Adoption Platforms is not just a pathway to embracing digital transformation; it is a smart financial decision that yields substantial savings and operational efficiencies. As companies continue to evolve and adapt to the digital era, the role of DAPs will undoubtedly become increasingly vital in ensuring sustainable and profitable growth.

Disclaimer

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