Webinar 3: Are BOTs worth it?

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Hello everyone. I am Niladri, your speaker for this Webinar and I hope everyone is doing great today.

I can see people are still joining. We will wait for a minute or so for everyone to settle down, till then I will remain in mute.

So, once again welcome back and Hello everyone. Let's get started.
Thank you all for taking time out to be here. Welcome to the third webinar in our series of Webinars focusing on RPA.

Slide # 3

So now, Let me introduce Shail Khiyara who will bring up valuable insights as I speak on the ROI factors on RPA. Shail has extensive experience on RPA working with all 3 major RPA platforms namely automation anywhere, BluePrism and UiPath at Executive roles in the past. So, Welcome Shail!

[Shail Khiyara]
Niladri, thank you for having me here and thank you V2 Solutions. Its very nice to be here.

[Niladri]
Alright! And in brief about me.. I am Niladri and I head the RPA and Digital Transformation Group at V2Solutions. I work on sustainable automation strategy for largescale enterprises. My group provides automation consulting and execution with focused outcomes, for customers across the globe. Alright!

Slide: Housekeeping

So, little bit of housekeeping. Quick Notes before we start with the session; we shall have 5-7 minutes of Q&A session at the end of this presentation. So, feel free to type your questions using the Q&A section on your screen. We will try to respond to as many questions as possible. If your question is not answered during this webinar, we will definitely do so over the email.

Slide: Agenda

So, the agenda. I am sure most of you are aware of RPA as a technology. So, I won't be talking around introducing the technology. I will be quickly looking at the agenda about the What? How? and Why? So, what you can expect today. So, you can expect to understand actual ROI of RPA in practical situations. Understand the levers that control the RoI. And how do we accomplish it. We will demonstrate actual cost involved against each of the component of a popular RPA platform and then workout the maths behind the RoI. Why we are doing this webinar? So, you can take informed decisions and avoid unrealistic projections.

Slide: RPA@V2solutions

So, a quick glimpse of what we have achieved through RPA for our clients at V2Solutions. The pictorial depiction states it all. We are specialized in SAP and Web side of RPA and Implementation partners for top tier RPA platforms with a large pool of certified developers. We monitor and support more than 40 Robots 24/7. So far, we have successfully deployed 240+ processes in production, that has resulted in saving for more than 25,000+ man hours and our robots have so far completed 160,000+ successful transactions.

Slide: Resource Cost Worldwide

Now, starting with the resource cost worldwide. Just allow me a second. Just allow me a second. Alright! There is some problem with my PPT for which the colours are not showing up over here. But the slide actually was for a world map broadly depicting certain dollar value against specific regions. So, the dollar value is a rough estimate of the hourly wage of clerical workers for that region and now the interesting part….. "How does this relate to this topic?". So, in actuality there were values being presented against each of these sections in a mail. So, the question is "How does it relate to this topic?" and It actually does and it does relate directly…. because a high percentage of the pay-out can be saved by deploying Robots. RPA has tremendous ability to save money specifically for those regions having high hourly cost and as per our experience anything above $15/hour is a suitable region for adaption of RPA. So, the map would have actually shown it if there were colours rounded on it. Because of some problem, the colours are not showing up. So, evidently there are regions around US, some parts of Europe, Japan look to be the right regions for adaption whereas Asian regions may not find RPA great from SAVING perspective, though RPA is not a tool only to SAVE human effort. However, we shall be talking specifically the numbers around SAVINGs and the levers that make it possible.

Slide: Levers that Controls the ROI

Alright! So, the levers are the controllers that decides the pace of your ROI or return on Investment to be precise. So, here we have listed out some key parameters of ROI and let's understand their role. So, at the top sits the Hourly cost ….and we did look through the factors in previous slide around regions that justify adaption of the RPA. In short, higher this parameter is, the faster you get to the ROI.

The next being hours saved from each process…..that's the human effort in hours saved by letting the Robots do that specific job. For optimum output, those processes saving at least 20 hrs or more

should be considered for RPA. When I say 20 hrs….it can be cumulative hours saved by doing the job 4 times a month even… because that's what the clerical person was doing.
No brainer ... but Higher the number of hours saved from each process, faster the ROI.

Now comes the "The number of Processes"… So more the number you automate, obviously you SAVE more.

The fourth point being the "Cost of Development and maintenance". That is an average amount that you spend in developing and maintaining a BOT for a process. While the cost of development is one-time cost, the maintenance of a BOT is always a recurring cost. The maintenance or support is very important as your BOTs need to be optimized based on your changing ecosystem. Right! So, It is common for some BOTs to fail at initial stages of deployment because of many reasons (at times beyond control) and Support teams ensure that the BOTs are up and running in the shortest notice. In the next slide you will see us putting a value against each of these levers. So, based on our experience we have considered nearly 25% of the cost towards the yearly maintenance and rest towards the onetime automation against the process.

And the fifth one over here is the
"Cost of License". Thats typically an annual subscription price that you pay to the RPA platforms and we will assume certain cost based on the selling price for one of the leading RPA platforms. This cost might vary to large extent based on the reputation of the chosen platform.

So, Shail, I would like to bring you in over here. What you have to say on the assumption of these levers, how practical these are?

[Shail]
See, I think these levers make sense when it comes to identifying the RoI of a bot implementation. But I feel that these are not the only levers. So, to give you an example, Software cost is only a part of the total cost of ownership in an RPA program. There have been studies done on this by HFS group.. Horses for Sources ..that say that RPA licensing costs are just about 25-30% of the total cost for implementing RPA. So, I think that what you are showing here are good levers for implementing RPA. But in reality, the bot is not a standard unit of measure. Because most RPA bots are priced as a function of number of bots. However, bot as a unit of measure is a little bit hard to understand. Does not equate to common units of input pricing like FTE or ..you know …other associated costs.. or it does not associate with output pricing measures such as a number of volumes processed. So, the meaning of bot across the RPA products is not standard. The UiPath bot is not the same as a BluePrism bot which is different from a Automation Anywhere Bot. So, in terms of your implementation levers, these are the right ones. But as we go further… you know… I think we should also talk about and we will …about what are some of the other intangibles that are in play

[Niladri]

Slide: Let's Put a value to the Levers

That’s great! Alright. Thanks, Shail for that insight. What we will do next is that now that we are aware of these levers from the previous slides, let us put some values around these

as if it's an Enterprise trying to do the real maths around the SAVINGs. So, the first assumption is the region's hourly cost… we put that as $20 an hour… a reasonable value which is not too high…not too low. Now the enterprise sets a target to automate processes that can save at least 20 hrs…..25 hrs… 20-25hrs a month. A reasonable value which is not too high not too low. Now the enterprise….Next is the number of processes that's put at 8, that means in totality the Org is targeting nearly 40-50 man hours of effort to save 50 hrs man hours of effort. The cost of development comes from our experience as a leading implementation partner for multiple leading platforms and we can safely assume it to be around $4000 against each process , that's including the cost of support for the process for a year which is considered at 25% of the total development cost.

The cost of license… we have assumed that at $36,000 per annum that eventually translates to $1500 per process and that's how it is derived. So, we recommend a set of 2 studios, 2 Robots and a Remote platform for a starting enterprises at least for the first year. So, the studios .. the 2 studios will cost atleast … 2 development teams of 2 developers can work simultaneously in parallel… sorry.. that’s with 2 robots for deployment out of which probably one or 50% of one robot would be used for the testing purposes... and one obviously is left for production deployment and orchestration, orchestrator or remote console is an environment which controls your remote and there is a separate licensing also by the providers and that’s what we would need one. There are other infrastructure and orchestrator dependencies like you know.. the software license to run the orchestrator.. third party licenses and stuff like that.. that we have taken around $5000.. It makes it a total of $36000/year ..which is nearly $3000 a month and if I am targeting 2 processes.. that makes it to be around $1500 per process.. .the cost of license.. $4000 for the cost of development .. that make it around $5500 per process cost till it is deployed.

Take a note that the implementation cost is against each process developed whether it is the licensing cost is always an annual cost. Though in this case we have not averaged it out against each of the processes.

Ok. So now, as a next thing, we will go ahead and do a plotting

Slide: Let’s Plot it

So, now Let's plot our assumptions in a graph to understand how soon the saving can exceed the actual revenue outflow. So, the X axis presents the dollar value whereas the Y axis in the timeline is in months. So, the grey and green lines presents the monthly outgoing and Saving respectively. As you can see the Monthly outgoing in terms of dollar is a straight line or a constant at nearly $11000 for 12 months , the $11k figure is arrived by adding up the Development+ Maintenance and the License Cost for those 2 processes that we mentioned as levers. In other words each process is costing about $5500.

The green line which is savings is plotted based on the human hours saved multiplied by the region's cost of resource, you can see the table to the right. Now, understand the fact that the saving has a cumulative effect because every RUN of the process (in this case assumed to be at least once a month) adds up multiple times. So the green line shows the savings actually starts from second month onwards at $1000..mere $1000, but it gradually picks up with addition of 2 new processes each month + the power of compounding from the previous processes automated … and we see it **intersects** with the grey line at 12th month. So, in all possibility the savings would start surpassing the monthly outgoing beyond the 12th month. Right!

Slide: Let's Plot it again

So, now let's move onto the next one. With that in mind, let's jump to plot the same graph again with another set of levers, that's presented through the orange line. If you look at the table to the right, you will see we tweaked the levers for 2 set of new values. First, Instead of $25 as hourly cost we made it $30 **…** targeting to save 30hrs a month and we are now looking at saving around 30hours per month per process.

Interestingly the Monthly outgoing remains the same because of 2 things over here:
Firstly, the cost of license is not changing and secondly based on our experience the cost of development + support almost remains the same at $4000 per process. It's not going to change much. However, as you can see the orange line **intersects** by 8th month which is 4 months earlier than the previous case.
So, the conclusion here is, a little bit of changes to the Levers make a huge difference in savings. In this case it was just a difference of $5 and 5 hours but it made significant difference from the faster ROI ……So now think of how would things be if you plan to save more hours by targeting those extremely inefficient processes or you have processes that can run more frequently thereby saving more and more of human effort .

Alright! So, Let me put this to Shail. So, Shail , Are you in agreement at what I just projected or you have seen this in reality with the many of the Customer. Would you like to share your idea?

[Shail]
Hey, I think from purely sort of formulaic and mathematical perspective … this makes sense. There are additional costs that are associated as you pointed out Niladri in terms of the support that is needed inside the organisation…the infrastructure that is needed inside the organisation. However, the savings model here and in most instances equate on the number of hours saved and essentially the challenge that most CFOs have in an organisation is to really recognise this as a tangible saving to the business. So, when we say as an example, we automated this process… and it delivered 25000 hrs saved back to the business… and we calculate a savings based on that which is how this model is .. is based on 25000 or an arbitrary number.. that does make sense from business unit RoI perspective to communicate the value of RPA to the executive teams. However when it comes to the actual savings to the business itself, it is very difficult for CFOs to translate this savings into tangible savings for the business. So, when we say that we automated ..lets say..30% of a person's time.. as we did task automation.. it is very difficult to .. for the CFO to reconcile how does that 30% actually

translate into ..whether it is FTE savings, whether its lesser no of hires that we need to do because we have saved you know x000 hours a year.. those metrics are not clearly defined in an organisation. So, there is a thing called derivative metrics. RPA started… at least in 2018… the whole conversation around RPA was FTE savings…more recently the conversations have shifted to a number of hours returned back to the business, Customer satisfaction increased in the business… and these are what I call derivative metrics… meaning.. that they don't have a direct co-relation with Automation. For e.g. often companies will say, my customer satisfaction went up by 3 points because my customer success teams had more empathy on the call and that's because they had more time and that's because something was automated and hence increase in customer satisfaction should be tied to automation. It's a very loose derivative metric. Coming back to what you are showing here, I think again from a formulaic mathematical perspective… yes, it absolutely makes sense… but there are other intangibles to keep in mind… when you get beyond your business unit presentation of the savings to the CFO level of "How does this really translate into savings for my business"

[Niladri]
You are absolutely correct, Shail! Infact this is one side of the coin which is probably the very very happy scenario. We will be talking in the next few slides what actually the real saving factors are… What actually shows up in practicality. Great!. Ok. So, moving on to the next one where we are talking of something which is not only cost saving.

Slide: "Cost Saving" is not all

So, Let's talk some of the facts. So, Cost Saving is not the only objective in RPA. In other words Enterprises do deploy RPA for many other reasons which are also critical while you look in to the ROI. So, all these criterias that you see over here are compared against the human's ability to perform a specific operation.

For an e.g. A Robot has unmatched speed, especially if you compare it with the operations performed by human. So, just from a comparison stand point, A Robot can read 300+ rows in an Excel in less than a second and eventually perform different operations in the dataset that it just read through. Similarly, it can extract details of atleast 5 mails in similar time. It can match more than 60 images to their actual source and create a report in a minute. The technique used by many of these online retailers to ensure their thousands of product images are exactly what was intended.

They don't take a sick leave or a vacation ensuring your operational continuity 24/7.
Even though the Robots run 24/7, the quality of the output is assured because these are machines after all. The Robot ensures audit trail, in other words you have signature of every minute operations details documented thus ensuring accountability and responsivity of all transactions.

So, that's one side of it. Now, coming to the real part of it.

Slide: Savings in Real Sense

So, are these savings that we projected are savings in real sense.

So, we talked of a lot of savings through a reasonable projection based on the monthly outgoing and everything looked like a great use case. But, Do the savings show up in real sense? It's you to decide as we bring in some facts from the other side of the coin.

So, the savings projected can be referred as "Notional Savings". Typically Robots does ease out work of specific roles by certain percentage , let's say by 20-30%. So, it frees up the specific resource by that percentage, but Enterprises still pay 100% for that resource. Now, if that is the case then the Enterprise are riding on the concept of notional saving ….However, if enterprises have the right alignment plan for those freed up resources for more productive work up the value chain, then the projection of saving would still make sense.

Now coming to the next point. The "Cost of process optimization". An automation would not bring in reasonable value unless existing process is made optimal for it's adaption. In other words Enterprises must analyse, enhance or Fix many of their existing process which might result into spending time for training, tweaking infrastructure etc. And that comes with a cost and that cost doesn't show up front.

Then there is a cost of engagement. Your resources namely SMEs, Business owners, Application owners need to dedicate reasonable amount of time for their respective process to take shape. One thing is very important in RPA implementation, that's the extensive communication that happens among stake holders. We have seen failures resulting out of communication barriers among stake holders. Now, this too comes at a cost of your resources.

Lastly a very debatable factor in the cost… that's "cost to Redo". Do understand the fact that Robots are not intelligent enough to adapt to interface or functional changes in your ecosystem, that may include process or even the interface of the applications. Thus, every time there are changes you need to reprogram the Robots to adapt to those changes and changes in many cases are something unavoidable. So, you must be prepared to "REDO" your existing automation in face of changes within your ecosystem and THAT comes with a COST.

"So @Shail, with these kind of hidden cost which is not at times visible upfront, has it been a shock factor in any of the engagement which you have witnessed in the past?

[Shail]
It often comes as a surprise to any organisation. I think just the first part of what we discussed in the earlier slide …that needing to have a operation and maintenance team in place... infrastructure costs in place…. just that step alone often comes as a surprise… But I think there are other aspects to this as you have pointed out… you talked about intelligent bots... you know... turning bots into intelligent digital workers is a challenge… you know… the sort of assumed easy fix of engaging in a ecosystem like for e.g. process mining or AI capabilities or other parts of the broader ecosystem that you may want to engage in for bot downs, for plugins for future use cases .. you know... ushers in a whole new wave of costs… right… these other technologies also need the infrastructure component, reference architectures... there's you know… support terms… commercial agreements with other vendors… But… you know… all though these sort of reference architectures actually exist…

deployments do not happen just at the push of a button. Right! So, if you are trying to deploy an RPA + a Process-mining capability + possibly an analytics capability… if it's not necessarily coming from a vendor or even in some instances if it's coming from the same vendor… it carries with itself separate costs as well… experienced consultants are required to you know… ensure that there is a suitable configuration that needs your… you know… business needs and in the rush to move from poof of concept to production… often this can be overlooked… and this accompanies.. exposed to significant risk… so, as I have said before… I think the… and there are studies on this… that the software cost of RPA are only a minor portion of the total cost of ownership. When I think of an automation product… I think of the whole product… which is software + services + support. And software just represents about 25-30% of the expenditure. So, often organisations, if they are only looking at … I am going to deploy the bots and I need this level of infrastructure and I need a few people to manage the bots… then they are underestimating the hidden costs of deployment which is something that you have shown here.

[Niladri]
Yeah. But at the same time Shail, do you think ever an organisation can only depend on the RPA? Do you see the use cases? I don't realise that… I don't see that happening. Like you know… they have to have RPA with 3rd party components… RPA with OCR component… RPA with ML components… you know... That gets the wholistic automation altogether, right!

[Shail khiyara]
Yes, if you are trying to do task automation. If you are trying to automate certain portions of the process, and if that portion of the process is completely structured in nature, RPA does a good job of that. It gives you the arms and the legs. But if you are trying to do end-to-end automation, if you are trying to do true digital transformation, if you are trying to identify predictive capabilities from your data… that's where you need AI, ML components in place possibly chatbots depending on the types of your business and yes, that ecosystem is not well integrated today… I would throw process mining in that mix as well… and requires you know… requires more a customer and their associated services partner to be able to stand-up those capabilities inside an organisation. So, definitely becomes an RPA plus in my opinion but the expectation setting has to be clear with RPA in terms of the RoI that it can generate.

[Niladri]
Right! Yeah… that was a great… great insight Shail…Thank you so much!

With this, we come to the key takeaways from this webinar. That approx. cost of license that we look at … around 36K… the cost of development and support at 4000… Saving is not the only criteria for RPA adoption. And obviously, we have talked about the notional saving and how it has factored on re-alignment of the resources. Thereby we discussed the right process can have a compounding effect on the overall savings you know… optimising process before automation really helps in achieving a faster RoI.

So now, with this we come to the last part of the webinar and the Q&A section. As we continue with the Q&A, you should be seeing a quick poll on your screen. Your feedback would help us improve the overall experience for our upcoming webinars.

Ok, I see a list of questions already coming up.

Let me pick up few of those… alright... there is a question that's coming from Rochelle….

Q.1: ***How does the cost of License vary with increasing number of processes?***

Ans: Okay, so Rochelle just to answer your question there is no straight formulae to get that similar calculation. But I can give you a relative reference. Let's say you plan to automate more than 4 new processes, each saving 30+ hours each month, that means you need more developers to work in parallel ….and each developer requires a studio. So you might have to invest in additional studios or development license….

Similarly, when you have more and more processes going Live, you need more Robots to execute those processes. Let's say you have 30+ processes (each running every day for certain amount of time) and your Robot is nearly 90-95% utilized, so you need to get more Robots for the new processes to execute. So, it all depends on what you would like to achieve within what time.

But as we mentioned, 2 Studios of Development environments, 2 Robots and a Remote Orchestration platform is a good starting point for an enterprise.

Q.2: Are there cheaper alternatives to that kind of license cost?

Ans: Thanks for that question smith. Yes, there are. The approx cost that we discussed is typically offered by some of the top tier RPA platforms, however there are smaller players offering similar platforms at much cheaper cost (at times 1/3rd of the price) and their feature lists are growing at a faster pace… but the concern with the smaller players is you don't probably get a lot of market validation with these new platforms. Having said that, I believe the RPA license model and cost will undergo a lot of changes in very near future due to pressure from these smaller players who might build great cases for themselves very soon. Infact, there are open source RPA platforms too which are yet to mature for the mainstream adaption. Once they do their price… they would put another set of price pressure on the existing players.

Alright! The next question that I take..

Q.3: ***How much time is generally spent on maintenance on Robots?***

Ans: Let us see what all is involved in maintenance of a Robot. Thanks, Mitch, for that question. One of the major activities is handling changes to the systems involved in the process. Another one is changes to the Business Rules which immediately impacts the outcome of the process and such things needs to be handled with topmost priority. And from our experience, we see this happening a lot. Then there are Bot failures happening due to reasons out of anyone's control like applications becoming unresponsive at times… right! You open up the browser… It is not responding… the bot is just dead at that point in time… unable to proceed further… unstable internet connectivity, etc. which can be handled only with continuous monitoring and taking immediate steps to resolve such

issues. And overall, we have seen around 25% of the total effort being spent on such activities once the process is automated. So, I hope that answers your question.

Great! So, looks like that's all the time we have. We will respond back to all of the questions that we have received in a separate mail personally. Once again a big THANK YOU and thanks to Shail for your thoughtful insights . Feel free everyone to write to us at rpa.info@v2solutions.com, we will love to hear your ideas on RPA and may be your suggestion for the next webinar topic.

We look forward to seeing you SOON at the next webinar on another exciting topic. Till then, Goodbye and have a great day ahead.

[Shail]

Thank you Niladri!

[Niladri]

Thanks Shail!

[Shail]

Thank you everyone. Take care! Bye bye!