KnowledgeSync

Return On Investment Calculation

Introduction

The purpose of a Business Activity Monitoring solution is to monitor your business data, identify conditions that require your attention, communicate the required information to the appropriate people, and auto-execute actions in response to the conditions that occurred.

This ROI Calculator lets you do a "**basic ROI calculation**" using only the first 5 business scenarios, as they apply to virtually every organization using an ERP solution. Each scenario uses a "historical basis" of actual customer usage of a BAM solution to determine the improvement percentage for the corresponding business process.

The remaining scenarios allow you to perform an "**advanced ROI calculation**" based on more sophisticated (and in some cases, industry-specific) business processes that may or may not apply to your organization.

This ROI Calculator determines an annual ROI; thus a BAM solution utilized for 3 years has an ROI that is equal to three times the total shown using this calculator.

Employee Cost Per Minute

Some of the scenarios in this Calculator derive their ROI from a time-savings perspective. As such, you must identify the cost per minute of the "average ERP staff" as well as the cost per minute for the "average ERP executive".

Cost Per Minute Per Staff (CPMPS)

Annual Salary	Weekly Salary	Hourly Salary	Salary per Minute CPMPS

Cost Per Minute Per Executive (CPMPE)

Annual Salary	Weekly Salary	Hourly Salary	Salary per Minute CPMPE

Scenarios #1 - #5: Basic ROI Calculation

Scenario #1: Auto-Generation & Delivery of Client Invoices & Statements

Is the process whereby you generate and deliver invoices (order confirmations) and statements to your customers a manual one, either in its entirety or in part?

Historical Basis: BAM automation saves an average of 2 minutes per invoice.

Invoices / Statements per mo	Invoices / Statements per yr	Time Save (minutes) per year	Staff Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #2: Stock Level Monitoring & PO Auto-Generation

Are you ever unaware of stock at – or nearing – re-order level? Do you manually generate and send purchase orders to suppliers?

Historical Basis: BAM automation saves an average of 3 minutes per PO.

Purchase Orders per mo	Purchase Orders per yr	Time Save (minutes) per year	Staff Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #3: Running, Printing & Distributing Analytical Reports

How do you generate and deliver your organization's reports? Is it someone's job to submit and distribute these reports?

Historical Basis: BAM automation saves an average of 4 minutes per report.

Reports per week	Reports per yr	Time Save (minutes) per year	Staff Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #4: Workflow Approval Process

Do you have internal processes (such as PO approval) that get slowed down while waiting for the appropriate managers to approve them?

Historical Basis: BAM automation saves an average of 10 minutes per approval.

Approvals per week	Approvals per yr	Time Save (minutes) per year	Management Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #5: Standard Form Generation & Delivery

Does your organization have many standard forms or documents – picking lists, dunning notices, etc – that are currently generated manually (either entirely or in part)?

Historical Basis: BAM automation saves an average of 3 minutes per document.

Documents per week	Documents per yr	Time Save (minutes) per year	Staff Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Basic ROI Total:

Scenarios #6 - #20: Advanced ROI Calculation

Scenario #6: Missed Early Payment Discounts

Do you ever miss out on early payment discount opportunities?

Historical Basis: BAM automation saves an average of 25% additional early pay discounts taken per year.

Annual # of AP Invoices w/Avail Disc	Missed Discounts	Average AP Invoice Amount	Average Early Pay Discount (2%)	ROI

Scenario #7: Excessive Product Cost Increases

Have you ever purchased a stock item from a supplier only to discover that the vendor has dramatically increased the item's cost without first telling you?

Historical Basis: BAM automation saves an average of 1% on all issued POs annually.

Annual # of Purchase Orders	Average PO Amount	Annual Average	ROI

Scenario #8: Excessive Freight or Miscellaneous Charges

Do you ever find that an order gets processed with abnormally high freight charges (express delivery?) or miscellaneous charges that could have been avoided?

Historical Basis: BAM automation reduces annual freight & miscellaneous charges by 2.5%.

Annual Freight & Misc Charges	ROI

Scenario #9: Budgetary Overruns

Do you have projects that run over-budget because no one was monitoring the money spent during the initial stages of the project?

Historical Basis: BAM automation reduces the actual budget spent on projects by an average of 2%.

Average Project Budget	Number of Annual Projects	Annual Average	ROI

Scenario #10: Supplier Inconsistencies

Are some of your suppliers inconsistent with their deliveries, having problems with late shipments, short shipments, and a high number of defective items?

Historical Basis: BAM automation saves an average of 1% off of an organization's annual purchase order cost.

Average PO Amount	Number of Annual POs	Annual Average	ROI

Scenario #11: Overdue Payments (or No Payments) from Clients

Do you write-off bad debt every year due to customers who failed to pay you? Does your staff spend excessive time chasing down late payments?

Historical Basis: BAM automation decreases A/R write-offs by an average of 12% annually.

Average Annual Write-off Amount	ROI

Scenario #12: Pricing Errors / Orders Missing Components

Do items or orders ever get entered with incorrect information – such as a wrong price or an order that's missing required components?

Historical Basis: BAM automation reduces lost revenue by an average of .25% per year.

Average Order Amount	Number of Order per Year	Annual Average	ROI

Scenario #13: Missing Data / Duplicate Records

Do you ever get annoyed by records missing critical data, or the presence of duplicate records, such as duplicate part number, job numbers, or the like?

Historical Basis: BAM automation saves an average of 120 minutes per ERP solution user per year.

Number of ERP Users	Annual Minutes	Staff Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #14: Things That Should Have Happened – But Didn't (In-activity)

A shipment from a vendor that didn't arrive . . . a contract that was not renewed . . . an approval that never came . . . an item that hasn't been sold.

Historical Basis: BAM automation saves ERP managers an average of 15 minutes per week.

Number of ERP Managers	Weekly Minutes	Annual Minutes	Management Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #15: Sales Doesn't Know What's Going On in Finance

Have you ever had a salesperson close a deal with a customer, only to find out that the customer has overdue invoices or is on credit hold in your ERP application?

Historical Basis: BAM automation reduces transactional research time by an average of 20 minutes per ERP solution user per month.

Number of ERP Users	Monthly Minutes	Annual Minutes	Staff Cost per Minute	ROI

Reminder: Fill out the salary calculator on page 2.

Scenario #16: Customer Attrition / Sales Decrease

By the time you notice that customers have changed their buying habits (or stopped buying), is it too late to recover that business?

Historical Basis: BAM automation saves an average of.5% sales per year.

Annual Number of Orders	Missed Inactivity	Average Order Amount	ROI

Scenario #17: Time-Sensitive Stock

Do you have time-sensitive stock that has to be written off if not sold by a certain date?

Historical Basis: BAM automation reduces the amount of annual stock write-offs by an average of 7%.

Average Annual Write-off Amount	ROI

Scenario #18: Expiring Sales Quotes

Does your sales organization have quotes that are allowed to expire without a sales rep trying one or two last times to close the deal?

Historical Basis: BAM automation closes an average of 1% extra orders per year.

Annual Number of Orders	Increased Sales Effectiveness	Average Order Amount	ROI

Scenario #19: Repeat Customer Automated Sales Incentives

Do you (would you like to) offer targeted sales incentives to repeat customers?

Historical Basis: BAM automation results in an average of .5% additional orders per year.

Annual Number of Orders	Increased Sales Effectiveness	Average Order Amount	ROI

Scenario #20: Insufficient Sales Margins

For every item you sell, you have a minimum profit margin you'd like to realize. Nevertheless, do you ever find low-profit orders that "sneak through" under your radar?

Historical Basis: BAM automation reduces lost revenue by an average of .25% on all submitted sales orders per year.

Annual Number of Orders	Average Order Amount	Total Annual Order Amount	ROI

Quantifying Customer Satisfaction:

How do you quantify customer satisfaction? Providing "superior customer service" can be recognized but it's near impossible to associate specific cost-savings or incremental revenues on such acts of "client kindness". However – the more you direct these acts towards a client, the greater the chance you have to gain business (and thus revenue) through them.

And so, you could state that 'x' number of "acts of client kindness" roughly result in the equivalent of one more sales order for your organization. That's the approach used in these last five scenarios. We've chosen a relatively high number – 1000 – as the number of acts of client kindness that it takes to realize just a single additional order per year.

Scenario #21: Early / Late Deliveries

Do your clients receive early or late shipments from your organization? Do your clients know when a shipment is going to arrive - only _after_ it has arrived?

Customer Impact: Notifications about shipments arriving ahead or behind schedule make customers feel that you care about them even _after_ they place an order with you.

Annual Number of Shipments	New Orders Due to Customer Kindness	Average Order Amount	ROI

Scenario #22: Customer Service Responsiveness

Does your organization use "service levels" to set response-time expectations for your clients? Do you monitor those levels to ensure that you meet those expectations?

Customer Impact: Every customer service request from a client is an opportunity to prove your responsiveness to them.

Service Issues per Week	Service Issues per Year	New Orders Due to Customer Kindness	Average Order Amount	ROI

Scenario #23: Threshold & Date Related Obligations

Do you reward long-standing clients? Do you "remember" and communicate on key dates, such as birthdays, contract expiration dates, and so on?

Customer Impact: As voiced by many customers . . . "you remembered" or "you noticed". Pro-active communication with clients show them you care about them.

Number of Customers	Extra contacts per Customer Annually	New Orders Due to Customer Kindness	Average Order Amount	ROI

Scenario #24: Email & Website Monitoring

Do you allow clients or prospects to contact your organization via either email (e.g., info@yourcompany.com) or your website?

Customer Impact: When it comes to email & web inquiries, the early-bird most often gets the worm.

Number of Inquiries per Week	Number of Inquiries per Year	New Orders Due to Customer Kindness	Average Order Amount	ROI

Advanced ROI Total:

Grand Total: