Building Effective ROI Statements

John Siegman
VP Sales First American Spatial Solutions
Developing Successful Return On Investment Statements

How to get the money to get the product or service

- What’s a ROI statement?
- Figuring out what’s important
- Gaining support
- What you can and cannot share with the vendor
- What you need from the vendor
- Putting it all together
- Always include a pie chart
Developing Successful Return On Investment Statements

What’s a ROI Statement?

- (Cost / Savings or Revenues) * 12 = ROI
- $1,000,000 in first year savings and increased revenues
- $500,000 in first year costs
- ROI of six months

ROI Statements will have greater detail on both costs and savings/increased revenues

The best ones tend to be simple and backed by lots of facts and supporting documents
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Figuring Out What’s Important

- Why do we buy?
  - To make our lives easier/better
  - To improve results
  - To get things done faster
  - To lower costs
  - To get taken out to lunch
  - Because it’s easier to buy than to make
  - To gain expertise
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Figuring Out What’s Important

- So what’s important?
  - Cost
  - Payback
  - Implementation
  - References
  - Results
Gaining Support

Getting the People Who Have to Say Yes to Say Yes

• Who else is impacted?
  – IT
  – Business Users
  – Your Boss
  – Finance
  – Legal
What You Can And Cannot Share With The Vendor

Stuff that Needs to be Communicated and Stuff that Needs to be Kept Secret

• **Stuff That Needs to be Communicated**
  – Project Requirements
    • Number of users
    • Number of transactions
    • Platform
    • Intranet/Internet
    • Number of servers
  – Targeted Budget
  – Implementation Timeframe
  – Contracting Process
  – Who Else You Are Looking At
  – Data For Testing
  – Decision Making Process
What You Can And Cannot Share With The Vendor

Stuff that Needs to be Communicated and Stuff that Needs to be Kept Secret

- **Stuff That Needs to be Kept Secret**
  - Actual Budget
  - The Fact That You Need It Yesterday
  - Experiences With Other Vendors
What You Need From The Vendor

*Oddly Enough You Need More Than Just The Product*

- Proof
- References That Matter
- Tech Support on Your Time Schedule
- Platform Support
- Installation Support
- Contract Language

- Previous ROI Statements
- Estimates for Hard and Soft Savings or Revenues
Putting It All Together

A Real ROI Statement Will Get The Deal Done

• Keep It Simple
  – Assumptions and Proofs Go as Attachments
  – Nobody Likes Small Numbers
  – Facts, facts and more facts
  – If it’s a guess, you’ll get blown out
**Putting It All Together**  
*A Real ROI Statement Will Get The Deal Done*

<table>
<thead>
<tr>
<th>Year 1 Cost of Product</th>
<th>$330,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOT Determinations Annual Cost Savings</td>
<td>$150,000</td>
</tr>
<tr>
<td>Customer Issues and Refunds Annual Cost Savings</td>
<td>$200,000</td>
</tr>
<tr>
<td>Tax Audit Reductions Annual Cost Savings</td>
<td>$750,000</td>
</tr>
<tr>
<td>Total Annual Cost Savings</td>
<td>$1,100,000</td>
</tr>
</tbody>
</table>

\[
(COST/SAVINGS \text{ or REVENUES}) \times 12 = ROI
\]
\[
\left(\frac{330,000}{1,100,000}\right) \times 12 = 3.6 \text{ Months ROI}
\]
The Pie Chart

Bad ROI

Good ROI

I pledge my life and fortune to the pie
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