"A Cost/Benefit Analysis will provide the level of accountability that executive management needs to support your efforts to invest in asset management software."

CALCULATING ROI FOR ASSET MANAGEMENT SOFTWARE – JUST WHAT THE BOSS ORDERED!

People make investments in order to realize return all the time, whether that investment is in the stock market, real estate, or one's personal education. Similarly, organizations make investments in people or technology to see a return, be it increased efficiency, a larger bottom line figure, or a competitive advantage. Investments, by nature, bring with them an element of risk. This risk can best be mitigated and returns best estimated when organizations perform necessary due diligence and calculate their Return on Investment (ROI). An investment in asset management software should be no exception.

Let's assume you have a compelling business reason to invest in asset management software. You've either out-grown your Excel spreadsheets, need to eliminate fragmented systems and standardize your asset management operations on a single system, or maybe address compliance requirements. **Your greater challenge: How do you obtain buy-in and document the value and possible savings new software could provide? Put simply, how do you calculate your ROI?**

PERFORMING A COST/BENEFIT ANALYSIS

This is the first step of any ROI calculation. A Cost/Benefit Analysis is a detailed quantitative analysis of your anticipated benefits compared to estimated costs. It will provide the level of accountability that executive management will need to support your efforts. Overall, the cost/benefit analysis for new asset management software should answer all of the following questions:

- What are the benefits of implementing new software?
- How much will this project cost to implement and maintain?
- What are the projected savings?
- What is the expected payback time?

When preparing the analysis, you should keep the following in mind:

- Identify both tangible ("hard dollar") and intangible ("soft dollar") project benefits
- Quantify benefits whenever possible. Ideally express benefits in dollars saved but when that is not possible, outline hours saved, or describe in detail the new efficiencies
- Present alternative options and justify your choice
- Identify the total project cost for each alternative, to include software/database

licensing costs, programming/analysis, installation, testing, training, documentation and on-going support and maintenance

In your analysis, it is important to identify your objectives and outline how the new software will specifically address each one. While the list of objectives below is not exhaustive, it provides some examples of areas where you may realize significant savings and benefits:

"A Cost/Benefit Analysis should identify your objectives and outline how the new software will address each one."

- **Increase in redeployment of existing company/agency owned assets, thereby reducing the need to purchase additional assets**
  - Reduced capital and expense purchases
  - Reduced depreciation expense
  - Reduced property insurance costs
  - Increased cash from sale of excess idle equipment
  - Reduced out-source repair and calibration expenses
  - Reduced sales tax
  - Reduced property/personal property tax
  - Reduced purchase order processing costs
  - Reduced interest expense
  - Reduced inventory management expenses
  - Reduced square footage and cost requirements
- **Automatic interface development from procurement system to asset management software**
  - Reduced data entry processing time
  - Improvements in data integrity and reduction in time correcting manually entered data
- **Consolidation of multiple non-integrated asset and material management systems into a single web-based solution**
  - Efficiencies associated with authorized employees being able to update information and run queries without having to email/telephone property custodians
  - Reduced IT support costs
- **Improvements to physical inventory process**
  - Reduced need for wall-to-wall inventories based on system inventory by transaction (or inventory by exception)
  - Efficiencies associated with being able to perform field transactions on mobile PC's
  - Efficiencies associated with self-service capabilities enabling employees to confirm possession of an asset and asset location
  - Shortened reconciliation period due to the ability to run real-time, accurate reports
- **Reduction in production stoppage risk**
- **Ability to automatically generate commonly used government forms**
  - DD 250
  - DD 1149
  - NASA 1018
- **Ability to establish automated Interfaces or integrations to a variety of external systems, reducing the time needed to communicate to external systems**
  - UID Registry/Wide Area Work Flow (WAWF)
  - PCARSS for asset disposition
  - GSA screening process for asset disposition
  - EPEAT (EPA) Registry
- **Minimization of compliance business risk**

"A Cost/Benefit Analysis should quantify the anticipated savings of each opportunity."

Since your cost/benefit analysis in large part will be your "justification" for purchasing asset management software, it is also important to quantify the anticipated savings of each opportunity. While you'll need to provide additional proof and justification in your analysis, the statements below provide a good example of the how your savings can be quantified and communicated:

Company/Agency Assets

- By reducing the acquisition of unnecessary assets and increasing the utilization of existing assets, we estimate recurring annual savings of more than $ 2.6MM.
- Through the seamless connectivity between our procurement system and asset management system which would ensure reconciliation, save time and reduce data processing errors, we estimate recurring annual savings of more than $ 140K.
- Through the replacement of our multiple existing asset and material management systems, recurring annual IT cost savings should exceed $ 90K.
- By deploying appropriate physical inventory tools, we estimate recurring annual savings of more than $ 45K.
- With an asset management tool which will enable us to schedule asset deployment where/when needed, we estimate we could avoid potential production stoppages saving the organization more than $ 25K annually.

Government Property

- Through the deployment of an asset management system with the ability to automatically generate government forms (e.g. DD 250, DD 1149, DD 1662, NASA 1018, etc…), we estimate recurring annual savings of more than $ 300K.
- Through the deployment of an asset management system which will facilitate UID compliance through various interfaces, we estimate annual recurring savings of more than $ 300K.
- By deploying an asset management system which could automatically interface to PCARSS, we estimate annual recurring savings of more than $ 20K.
- By deploying an asset management system which could help us better ensure our compliance to key regulatory mandates, we estimate the annual recurring savings associated with avoiding costly penalties and increased surveillance, reducing insurance costs, and minimizing borrowing costs to be more than $ 50K.

ASSET MANAGEMENT SOFTWARE CALCULATOR

An Asset Management Software ROI Calculator is an effective tool used to identify potential elements for your Cost/Benefit Analysis. The sample Asset Management Software ROI Calculator provided here should be used as a template or tool; any analysis should be tailored to include the business requirements and goals for the specific project, in addition to the assumptions used in the formulas and all cost estimates. As there are many ways to analyze the ROI for the acquisition of an asset management system, this example illustrates the expected benefits and costs in a well organized, easy to read format which will be well received by management when reviewing your business case.

This sample calculator takes into consideration a 5-year analysis on ROI, but many organizations want to achieve a break-even pay-back in 3 years or less before making a capital expenditure such as the purchase of new asset management software. In this case, if your analysis reveals that your estimated pay-back period is less than a 3-year time period, the project is worth executive management consideration. In the event

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your pay-back estimate is greater than 5 years, it will be difficult securing the management support needed to proceed.

As mentioned above, not all benefits can be measured in dollars and cents, and therefore won't appear on the ROI calculator. The Cost/Benefit Analysis should list these "soft" (non-monetary) benefits which could potentially include items such as:

- Ease in training users on one system instead of several discrete systems
- Boost in employee moral
- Increased protection of critical/sensitive data
- Minimized reliance on in-house system developers

Total Return on Investment		Year 1	Year 2	Year 3	Year 4	Year 5
Total Return	$32,029,600.00	$11,743,420.00	$9,074,670.00	$3,737,170.00	$3,737,170.00	$3,737,170.00
Total Investment	$685,125.00	$506,925.00	$44,550.00	$44,550.00	$44,550.00	$44,550.00
Total Return on Investment	4675.00%	2316.60%	20369.63%	8388.71%	8388.71%	8388.71%

Sample Return On Investment from ROI Calculator

It's important to remember that there is no "one size fits all" rule that can be applied to the ROI Calculator. Every organization has its own needs and faces its own challenges around asset management. The ROI tool provides an explanation of the critical elements that will facilitate your efforts in quantifying the value of a new asset management system. By personalizing this tool for your project requirements, you'll be in a position to clearly show the quantifiable costs, benefits and anticipated ROI that your executive management will require in order to support your project.

NOTE: The ROI Calculator is a separate document, *Asset Management System ROI Calculator.xls*.

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