

How to Build an Effective ROI Calculator

By Glenn Clowney

Most business people understand what an ROI analysis is and how ROI calculations can benefit a company's bottom line. But what many people don't understand is that ROI is more than just an end-result number. A truly effective ROI analysis can:

Reduce the sales cycle. In fact, the International Data Corporation found that the average sales cycle for a million-dollar deal is 18 months. But of those companies that completed an ROI analysis, 65 percent reported a six-month or shorter sales cycle.

Create a receptive environment. Quantifying the benefits of your product or service makes it easier for potential customers to get on board with your company.

Establish a fair selection process. Competition is inevitable. An ROI analysis helps eliminate vendor bias by providing financial insight and allowing potential customers to discard the emotional elements of the decision-making process.

Focus on the business issues. Discussions with customers that focus solely on your features and functions are risky. An ROI analysis ensures that your discussions focus on *their* business problems and helps you gain a true understanding of their business needs.

While most organizations understand that a shorter sales cycle, receptive customers, fair processes, and a strong customer focus will positively affect their bottom line, many struggle with how to get to that point. The trick is to find the right people and tools to conduct a thorough and effective ROI analysis. One method? Build an ROI calculator—a Web-based tool that allows potential and current customers to see the benefits of your products and services within the context of their business needs.

Building an ROI calculator should be a team effort that includes the insights of your key sales professionals; this ensures that the calculator incorporates the benefits that are appropriate for your customers. The main objective is to create a tool that helps your sales team sell more of your products and services.

But, how do you create an effective ROI calculator? Several vendors out there can help with the technology end, and the following steps will help get

you started:

1. Select your target customer segments.
2. Select your financial metrics.
3. Quantify the value of your benefits.
4. Determine the assumptions and inputs.
5. Determine default values for assumptions.
6. Determine default values for inputs.
7. Determine the appropriate high and low limit range for each variable.

Once you and your vendor have completed the calculator prototype, it's important to constantly test and refine the calculator and to train all of your customer-facing employees on how to use the tool.

Remember: An ROI calculator, when used as part of your sales process, will refine and improve the customer-qualification process. This information will provide the foundation for excellent customer case studies that can pave your way for all future successes.

Click [here](#) to read the full article.

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