

ROI Methodologies
 Providing Validation
 for
 RIM Programs

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Origin

- **DuPont**
- Ratio or Percentage

$$ROI = \frac{\text{Net Income}}{\text{Total Assets}}$$

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Origin

- **DuPont**
- Ratio or Percentage
- Overall Financial Effectiveness
- Comparison among Companies

$$ROI = \frac{\text{Net Income}}{\text{Total Assets}}$$

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Development

• Projects/Investments

ROI = $\frac{\text{Net Gains}}{\text{Total Costs}}$

Net Gains = (Total Gains - Total Costs)

Value of investment is judged by how great the positive ROI is [expressed as a percent].

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Development

• Other ROI Calculations

- Return on Invested Capital
- Return on Total Assets
- Return on Equity
- Return on Net Worth, etc.

Understand the definition of the specific terms in an ROI calculation before making comparisons

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Caveats

• Variable ROI

- Time Frame Changed
 - Shorter
 - Longer
- Different Calculations
 - Straight Line
 - Net Present Value

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Traditional RIM ROI

- **Space Savings**

$$\text{ROI} = \frac{\text{Net Space Cost Savings}}{\text{Mobile Shelving Cost}}$$

**Net Space Savings =
(Total Space Savings – Mobile Shelving Cost)**

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Traditional RIM ROI

- **Imaging System 1**
 - **Archival Tool**
 - **Replace Paper**
 - **Offsite Cost Savings**

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Traditional RIM ROI

- **Imaging System 1**

$$\text{ROI} = \frac{\text{Net Offsite Storage Costs}}{\text{Personnel + System Costs}}$$

**Net Offsite Storage Costs =
(Total Offsite Costs – [Personnel + System Costs])**

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Traditional RIM ROI

• Imaging System 2

- **Business Process Improvement**
 - **Increased Throughput**
 - **Reduced Payment Cycles**
 - **Improved Customer Service**

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Traditional RIM ROI

• Imaging System 2

$$ROI = \frac{([PG + IP + RS] - PS)}{\text{Personnel + System Costs}}$$

PG = Value of Productivity Gains
IP = Increase In Cash Payments
RS = Reduction in Space/Offsite Storage Costs
PS = Personnel + System Costs

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Caveat

**Not all RIM
investments result
in predictable
financial outcomes!**

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Alternative ROI

- **Result of Inaction**
- **Hypothetical Calculation**

$$ROI = \frac{-FI - LI}{LI} = \frac{-FI - 0}{0} = \text{---} \infty$$

FI = Financial Loss from Inaction [Negative]
LI = Lack of Investment = 0

In math, the result of dividing by zero approaches infinity.

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Alternative ROI

- **Risk of Incarceration**
- **Regulation**
 - **IRS Rev Proc 98-25**
- **Statute**
 - **Sarbanes-Oxley**
 - **Criminal Penalties**

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ROI Elements

- **Assumptions**
 - **Fully Documented & Explained**
 - **Average vs. Real Salaries**
 - **Processing Speed = Vendor**
 - **Growth Rate = Predicted Customer Increase**

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ROI Elements

• Financial Measures

- Organization vs. Team
- Investment Decision Measures
 - Net/Discounted Cash Flow
 - Net Present Value
 - Internal Rate of Return
- Data Element Values

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ROI Elements

• Situation Description

- Create/Accomplish Task
- Alternative Scenarios
 - Internal Implementation
 - Vendor Turnkey
 - 'Business-as-Usual'

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ROI Elements

• Objectives

- Descriptive
- Focus on Gains
- Concrete Result[s]
 - Response Time Down by X%
 - Staff Productivity Up by X%

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ROI Elements

• Data/Collection Methods

- Sources
 - Internal, Research
 - Vendors, Consultants
- Methods
 - Sampling
 - Digital Inventory

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ROI Elements

• Complete Costs

- Hardware/Software [Licenses]
- Operating & Maintenance
- Training/Conversion
- Allocated/Indirect
- Segmented by Phase

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ROI Elements

• Financial Results

- Obvious
 - Reduced Costs/Staff
 - Increased Revenues
 - Shorter Cycle Times
- Ancillary
 - Investment Tax Credits
 - Access to Technology

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ROI Elements

• Non-Financial Results

- Supplement to Decisions
- Lack of Sufficient Information
- Unwillingness to Place a Value
 - Increased Staff Morale
 - Enhanced Corporate Image

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ROI Elements

• Risk Analysis

- Identify
 - Delayed Equipment Delivery
 - Software Does Not Integrate
 - Reluctant Staff Participation
- Evaluate Depth of Risk
- Describe Avoidance

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**“Investing Wisely
for the Future
RIM & ROI”**

Information Management Journal

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