STEP-BY-STEP GUIDE

HOW TO CALCULATE THE ROI OF MARMIND

MARMIND®

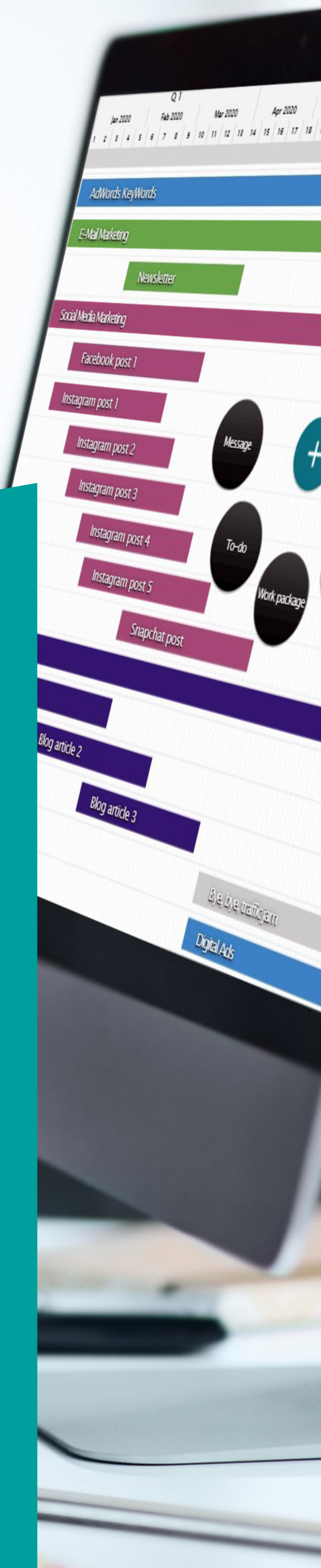
Introduction

WHY CALCULATE THE ROI?

It is important to think things through carefully before purchasing business software. This type of investment not only costs money but also time (initially at least): employees need to be trained and introducing a new application often involves a change process.

So you need to use more than gut instinct when working out whether software is worth the investment. More helpful are the payback period and the return on investment (ROI).

These figures are approximations – the gain of investment is influenced by various hard and soft factors that are difficult to quantify in advance. But the ROI is still a good indicator of whether a purchase is worthwhile.



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THERE ARE FIVE MAIN STEPS TO FOLLOW WHEN CALCULATING THE ROI OF SOFTWARE:

- Estimate the gain of investment
- Estimate the expected usage period
- Calculate the risk-adjusted value
- Calculate the total cost of ownership (TCO)
- Calculate the ROI

> *A quick refresher: The ROI calculates the return on an investment by comparing net profit with the cost of the investment.*

This step-by-step guide shows you how to calculate the ROI of MARMIND for your company. The potential for savings varies depending on different factors – each company is different.

For a realistic estimation, you first need to know the benefits that MARMIND brings. We have included a sample calculation after each step, so you can work out the ROI of MARMIND quickly and easily. Let's get started!

Step 1:

WORKING OUT GAINS WHEN INVESTING IN SOFTWARE

Let’s start with the most difficult part: Working out the gains from an investment. We need to consider hard and soft effects – the role they play depends on the specific case, as does their importance.

What would change if you were to implement a Marketing Resource Management solution like MARMIND at your company? Would increased transparency in marketing mean that strategic company goals can be achieved more effectively? Do you expect more efficiency because MARMIND will reduce administration work and professionalize processes?

Do you plan to replace diverse stand-alone solutions with MARMIND, thus making savings? It isn’t easy to estimate the gains of investment before you introduce a solution – so we will summarize several common benefits of using MARMIND.

SUCCESSFUL STRATEGY IMPLEMENTATION THANKS TO INCREASED CLARITY AND TRANSPARENCY IN MARKETING

MARMIND makes it possible to take care of all resources on one central platform, bringing clarity and transparency to your marketing department. Employees in head office are perfectly in tune with their colleagues at the different branches.

So your marketing strategy can be far more effectively implemented. Resulting in more profit, greater turnover, a bigger market share, growth, continuity, and increased future viability.

MORE PROFESSIONAL AND CONSISTENT PROCESSES

MARMIND was developed specifically to map complex processes in large marketing departments. Introducing a system like this enables greater professionalization and increases consistency by integrating all marketing processes. We digitalize typical time guzzlers in marketing such as the planning and managing of budgets on different hierarchy levels, entering expenses, or approval processes, meaning fewer errors and increased efficiency.

TIME SAVING

Time saving is a central effect that can also be more easily expressed in numbers. Experience has shown us that the time spent on recurring tasks such as approval processes is reduced by an average of 1.5 to 8% after implementing our software.

But MARMIND also increases efficiency in many more areas. More consistent processes mean less time spent on coordination. Instead of sending hundreds of emails back and forth, decisions are reached on a central platform within the relevant context. Recurring workflows are displayed digitally and started with the press of a button.

Far less time is spent on keeping documents up to date: Just think of how many Excel and PowerPoint files you and your colleagues create and continuously update. MARMIND can generally replace most of these documents. Campaign plans, briefings, budgets, costs, campaign results, reporting – this is now all put together and managed on a central platform.

An additional benefit is that less admin means more overall productivity: employees can focus on their core tasks.

LESS COMPLEXITY

Professionalizing marketing processes makes them less complex. Tasks are created, distributed, discussed, and marked as completed on a central platform. Files are saved centrally and automatically versioned to prevent any misunderstandings. Campaign, budget, and tracking data are no longer split across multiple Excel sheets, but stored at a centralized location.

ELIMINATING SOURCES OF ERROR AND REDUCING COSTS

MARMIND can help eliminate numerous sources of error: For example, data is no longer edited manually in Excel but directly imported into the system via upload or interface. Standardized and automated processes mean no more producing marketing material that has not been approved – which in turn means no more unnecessary costs.

You can use the Cockpit to monitor and correct marketing measures so that you invest your budget where you get the highest ROI. This means yet more savings: When campaigns or individual measures don't have the required effect, you can reduce spending in plenty of time.

HOLISTIC MARKETING MANAGEMENT

Unlike other MRM systems that focus on facilitating efficient cooperation in large marketing teams, MARMIND goes one important step further to aim for holistic marketing management. All the information needed to make marketing decisions is consolidated on one platform. MARMIND brings together plan data, budgets, and costs as well as results and performance data from different software systems used by your company. You then have a complete overview of all marketing measures, giving you important insights.

Where BI tools only visualize results, MARMIND combines this data with process and management functions so you can directly take the next appropriate step, optimizing your media mix, investments, to-dos, workflows, etc. Marketing departments can more easily identify potential for optimization, which they use to achieve real improvements.

By making the best possible use of all marketing resources (investments, time, multi-channel measures, etc.) MARMIND users can optimize their marketing output, upping awareness, performance, numbers of leads, revenue, etc.

There's no need to consolidate relevant data manually anymore: Your different systems are connected to MARMIND so that the data can be seamlessly integrated into the overall model. This means that marketing teams no longer have to wait for finance to send over the costs – these figures can be directly imported via an interface.

You can also access performance data directly via interfaces in MARMIND. This means that campaigns can be continuously analyzed and improved. The Cockpit can display the most important key indicators so you immediately see the whole picture – you could call it marketing's central control unit.

This centralized management results in a significant gain of investment, usually seen in the second year of MARMIND use, after the relevant software systems have gradually been integrated.

INCREASED STAFF MOTIVATION

Instead of having to edit numerous Excel sheets, the marketing team gains a user-friendly tool that is easy to understand and work with. Rather than struggling with a solution meant for very different purposes, staff are using software specifically developed to meet their needs. Fewer manual steps mean more time for creative tasks, which has a positive impact on employee motivation.

FEWER SYSTEMS

Unlike other MRM solutions, MARMIND not only covers campaign planning, asset management, and collaboration, but also other central marketing tasks: Budget planning, spend tracking, project management, evaluation of results, and reporting. It can therefore replace numerous stand-alone solutions.

BETTER USABILITY AND LESS NEED FOR TRAINING

Instead of using systems like Jira and Confluence where they don't belong, marketing colleagues have a user-friendly MRM system that was developed specifically to meet their needs. This means less documentation and less need for training.

Now that you've taken a look through the advantages MARMIND offers, think about which points are most relevant to your company:

Which benefits are you expecting? Why are you considering purchasing an MRM solution? Which processes do you want to improve? Think about what effects this software will have within your company.

Tip: There's no need to try and consider every single possible effect when calculating. Concentrate on a couple of main effects and express them in concrete figures.

Once you have determined the most important effects, aim to express the gain in numbers. Calculate the gain of investment per year. Which processes are particularly prone to mistakes? How much money could be saved by eliminating the sources of error? Which tasks currently take up too much time? How much time would your colleagues save if specific tasks were automated – like preparing relevant KPIs for reporting?

Once you have determined the beneficial effects and expressed them in figures, you can then look at multiplicator and synergy effects.

Think about whether the software would also have a positive impact on other departments or company processes. You can then calculate the annual gain.

The following examples show you how to calculate the ROI of MARMIND for your company. However, it is important to bear in mind that the beneficial effects depend on your concrete situation.

Please contact us if you would like a more precise estimation of the ROI and the payback period for MARMIND.

We are very happy to help you with the calculations.

BOOK A MEETING

Example 1

ESTIMATING THE GAIN OF INVESTMENT

Start by estimating the gain from the planned investment.

Take the effects that are most important in your case and express them in concrete figures. Then consider any multiplicator and synergy effects and express these in figures too. Estimate the annual amount for both cases.

Sample calculation:

Company XYZ is considering introducing MARMIND to make their marketing more professional and more efficient. The gain of investment from the most important effects is used to calculate the ROI.

A Saving time and increasing efficiency thanks to more professional processes:

MARMIND helps standardize and digitalize all processes in marketing. The approval process is much shorter, less error-prone, and can also continue as usual if all employees work from home. It is quicker and simpler to create content and it is easier to keep to deadlines thanks to standardized processes. It is expected that the amount of work will decrease to such an extent that every employee in marketing gains half an hour of time per day.

Taking into account bank holidays, we assume that each employee works 20 days per month. Again, taking into account holidays, sick leave, and days on which MARMIND is not used, we calculate assuming 10 months' work per year. Each employee therefore uses MARMIND 200 days per year.

If 35 employees are paid an average hourly wage of 35 euros and half an hour can be saved on 200 work days per year, there are potential savings of 122,500 euros each year.

Gain of investment A: €122,500

B Replacing outdated and inappropriate applications:

MARMIND includes important functions that were previously covered by cumbersome and inappropriate systems. It can therefore replace numerous stand-alone solutions. Savings are therefore made on license fees – 2,200 euros per month, which equates to annual savings of 26,400 euros.

Gain of investment B: €26,400

A

B

GAIN OF INVESTMENT A:
€122,500

GAIN OF INVESTMENT B:
€26,400

Ⓒ Holistic marketing management:

By connecting systems such as SAP and Acoustic, company XYZ can seamlessly import data that keeps the MARMIND Cockpit up to date. This way, individual campaigns and measures can be efficiently evaluated and adapted. The Cockpit displays the most important KPIs, making it possible to keep track of the big picture.

Marketing can thus be managed more effectively and the company can react more quickly to changes in the market – potentially providing a competitive advantage. The head of marketing quantifies this potential, estimating an additional 5,000 euros in revenue per month, adding up to a gain of investment of 60,000 euros.

Gain of investment C: €60,000

C

GAIN OF INVESTMENT C:
€60,000

Step 2:

CALCULATE THE EXPECTED USAGE PERIOD

The second step is to calculate the expected usage period after successful implementation.

MARMIND is a comprehensive MRM solution that provides a full range of functions – it can map extremely complex company processes and structures. Depending on the size of the company, the software therefore usually takes around two to twelve months to implement.

We assume a usage period of five years in our sample calculation. However, MARMIND is being continually developed to reflect our customers' needs, so a longer usage period is very likely.

EXAMPLE 2

Usage period

Estimate the usage period of the software in years. A high-quality MRM system like MARMIND should offer a service life of at least five years.

You can now work out the total gain of investment from the purchase by adding up the annual gains of investment calculated in example 1 and multiplying this figure by the number of years.

A	B	C
122.500 €	26.400 €	60.000 €
Annual gain of investment	Annual gain of investment	Annual gain of investment

(122.500 € + 26.000 € + 60.000 €) *5 = **1.044.500 €**

Sample calculation:

The company XYZ assumes a usage period of 5 years. The total gain of investment over a period of 5 years can thus be calculated as follows:

(Annual gain of investment A + annual gain of investment B + annual gain of investment C) * usage period of software in years

Step 3:

ADJUST EXPECTED VALUE TO TAKE INTO ACCOUNT RISKS

Taking into account potential risks of software projects ensures a more conservative and realistic evaluation of the ROI. To adjust the gross gain, you calculate the likelihood of the project progressing as expected.

The following issues can emerge during software projects:

- The project team is over-optimistic (optimism bias),
- The requirements were not sufficiently defined,
- The software's range of functions was not sufficiently compared with the requirements,
- A key member of the project leaves the company,
- Budget cuts become necessary, or
- Company processes that emerge while the software is being introduced cannot be adequately mapped.

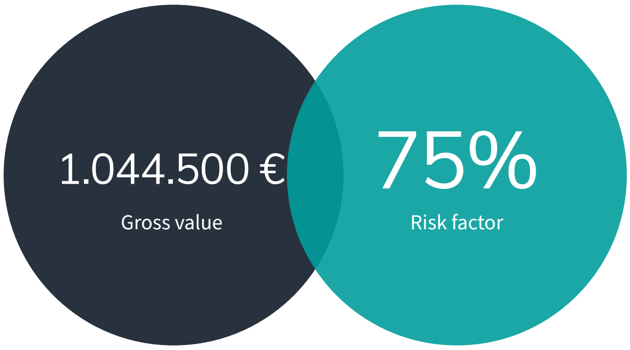
Think about which risks could apply to your company. Was the gain of investment calculated too optimistically? Are all involved working together or are some employees obstructing the project? Maybe they don't use MARMIND on a daily basis and find the initial effort required for training too great?

When adjusting the gross gain to reflect risks, the aim is to become aware that projects are usually viewed too optimistically. We need to counteract this by reducing the estimated gain.

After taking various risk factors into account you might reach the conclusion that the software project will only bring 75% of expected gains.

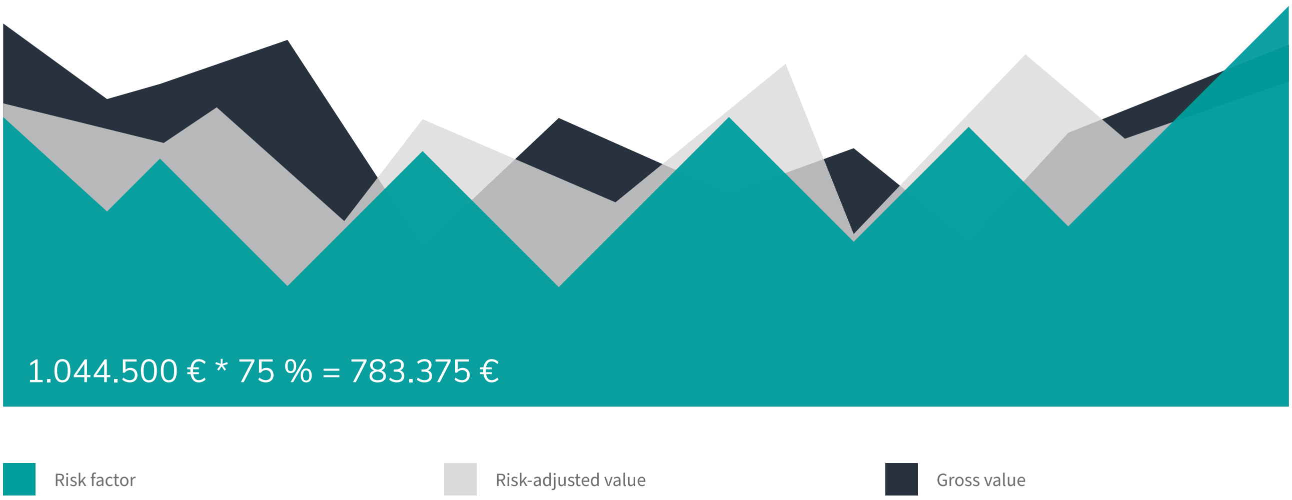
Example 3

WORKING OUT THE PAYBACK PERIOD

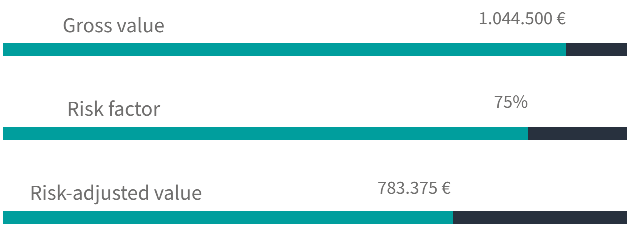


Think about which risks could apply to your company and estimate a percentage risk for the whole project. Be conservative in your estimate and bear in mind that expectations for the project could be too high.

> Use the following formula to calculate the risk-adjusted value:
> Risk-adjusted value = gross value * risk factor
>
> ## Sample calculation:
>
> The management in company XYZ undertakes a thorough analysis and concludes that the beneficial effects were estimated too highly.



They now estimate that MARMIND will be a 75% success in their company. The risk-adjusted value can therefore be calculated as follows: €1,044,500 * 75% = €783,375



Step 4:

CALCULATE THE TOTAL COST OF OWNERSHIP (TCO)

You're nearly done! There's just one more step before you can calculate the ROI: adding together the total costs of using MARMIND over the expected usage period. Take into account all costs of introducing the software and using it on a daily basis, and work out which additional services you want to make use of.

Do you want to personalize the software or use the standard version? Do you want to make use of additional consulting services and training? Do you want us to develop interfaces specifically for your company?

Tip:

We are more than happy to do this task for you! Simply book a free meeting via our calendar. Together we'll work out the TCO for the MARMIND plan your company needs.

BOOK A MEETING

Example 4

CALCULATING THE TCO OF MARMIND

Calculate the TCO of the MARMIND plan that suits your company best. Particularly take into account any additional services that you would like to make use of.

72.280 €

37.680 €

223.000 €

€72,280 of costs in year 1 + €37,680 of costs in the four following years = **€223,000**

Sample calculation:

Due to their requirements and size, company XYZ concludes that the professional plan is the best option. Together with their contact person at MARMIND, the company calculates that the software will cost 72,280 euros in the first year.

From the second year onwards, the total annual costs amount to 37,680 euros. Over a usage period of 5 years, **the total cost of ownership** can be calculated as follows:
€72,280 of costs in year 1 + €37,680 of costs in the four following years = **€223,000**

Step 5:

CALCULATE THE ROI

Great job! You’re done with the difficult calculations. Now we can really get down to business.

Example 5

Work out the ROI of the planned investment:
Risk-adjusted value / TOC - 1) * 100%

Sample calculation:

The company XYZ calculates the ROI of MARMIND as follows:
(€783,375 / €223,000 -1) * 100 = 251.3%

The ROI over the entire usage period is 251.3%, making it around 50% per year.

Congratulations! You have made it to the end and now know the ROI of your planned investment. You now have a valid basis for your decision for or against the purchase. And what about the length of the payback period?

Now you know the ROI for the entire usage period, you can easily estimate the payback period too. Read on to find out how:

Example 6

WORKING OUT THE PAYBACK PERIOD

Sample calculation:

When calculating the payback period, company XYZ assumes that the gains of investment are seen seven months after introducing MARMIND to their workflows.

The gain of investment in the first year is therefore not calculated for the entire year, but only takes into account a 5-month period.

(122.500 € + 26.400 € + 60.000 €) / 12 * 5 = 87.042 €

A B C

(122.500 € + 26.400 € + 60.000 €) / 12 * 5 = 87.042 €

After deducting a risk factor of 25%, the resulting risk-adjusted value amounts to around 65,281 euros.

This equates to monthly savings of around 13,056 euros after the seven-month introductory period.

The following calculation divides the higher costs in the first year equally over all five years of the estimated usage period: The total cost of ownership over the five years is 223,000 euros, equating to 44,600 euros per year.

Yearly costs for MARMIND of €44,600 / €13,056 monthly savings = 3.4 months until the software has paid for itself. However, the beneficial effects are not expected until after the seventh month of use – so the software pays for itself after 10.4 months.

The payback period is therefore around 10 months.