The ROI Series - Calculating the ROI of a Technology Investment - Part 1

When an economic downturn starts to hurt, small businesses often hunker down and cut costs. But new technology solutions may be necessary for survival and growth—and they may not be as expensive as you think when you consider their return on investment (ROI). In this three-part series, we’ll review what ROI is, explain how an ROI analysis can help you save or make money, and provide guidelines for analyzing the ROI of a technology investment.

Part 1: Understanding ROI

There are two ways to look at the value of technology: total cost of ownership (TCO), which quantifies only the cost of a project, and ROI, which quantifies both the cost and expected benefit of the project over a specific timeframe.

Traditionally, businesses have used TCO when analyzing the cost of internal infrastructure projects such as upgrading an e-mail system. But even with internal systems, ROI can be a better method: If your old e-mail system goes down, for example, your sales team can’t contact customers electronically and must spend more time making phone calls. If your employees spend two more hours on calls than they would on e-mails, you’ve actually lost money by not upgrading your e-mail system.

When it comes to any non-internal technology, however, ROI has long been the gold standard. That’s because technology can drive profit growth by increasing revenue.

Looking at ROI is particularly important when an economic downturn limits your budget. Indeed, an economic downturn may be the best time to assess your technology spending—because by investing wisely during a downturn, you can strengthen your future.

As an example of how ROI works, consider the case of a small, high-end electronics boutique. The current point-of-sale (POS) software program is beginning to show strains from the company’s expansion and increasing inventory, and customer service issues are arising—a problem since the company’s mission is to provide exceptional customer service. The company’s owner believes implementing a new POS software program will help address these issues, but deploying it will be costly.

The key question is which will cost more in the long-term: spending the money to provide a solution—or the losses the boutique will incur by not doing so?
That question may be easier to ask than to answer. As important as determining ROI is, there is still little consensus about how to measure it accurately. ROI, it seems, is in the eye of the beholder. That's because ROI has many intangibles—things that don't show up in traditional cost-accounting methods but still maximize the economic potential of the organization, such as brand value, customer satisfaction, and patents.

For example, a knowledge management system may not reduce your costs in obvious ways, so how can you justify it in a tight economy? You probably can't if you measure ROI by asking what a project will do for your bottom line in a year. But if the new system leads different parts of your company to collaborate, which in turn produces better goods and services that lead to top-line growth, then your ROI is strong.

In Part 2 of this three-part series, we’ll go into more detail about how a technology investment can provide a high ROI. Later, in Part 3, we’ll offer some guidance for conducting your own ROI analysis.

Advanced Managed Solutions specializes in network management, network design, and network infrastructure. Along with sales, support and management we offer IS support services, technical outsourcing, and 24 X 7 monitoring. AMS offers quick reliable services with our number one goal is to protect our client assets and ensure that their network is performing optimally. In today’s world, the cost of a network being down in a company is greater than the cost of the equipment itself. And now with the convergence of voice and data networks, companies today need to emphasize network reliability in the work place. Whether it’s at the office or on the road.

AMS has a number of qualified support specialists and engineers available to insure that your needs can be meet rapidly in this ever changing network environment. Whether it’s a network move or upgrade, cabling project, or data center design and implementation, we can provide the necessary people to ensure quality service and a commitment to excellence.

Our Company works regularly on the latest networking technologies. This enables AMS to bring new and innovative solutions for improving reliability and performance. Our Managed Services solution allows us to monitor your network environment to protect against surprises that can lead to costly repairs. It also allows us to view the network performance and see where improvement is needed as your company evolves and make technology a pleasant experience.

As a leading technology company, AMS can provide solutions for servers, systems, software, upgrades, service and support. We can also provide project management and design capabilities as needed for your office. Our customer specialists are very knowledgeable and are willing to assist in any way to keep each company’s network performing optimally.