

How to Prove ROI with Four Figures and a Telephone

Jean-Claude Sabourin

2004/01/27

Overview

- Where it comes from
- The goal of the exercise
- The figures
- The calculations
- The telephone
- The brief analysis
- The conclusion

Where It Comes from

- This is a case study based on my working experience
- All the numbers are real, just few names and dates have been removed in order to protect the innocents

The Goal of the Exercise

I wanted to justify:

- An increase of the Documentation Centre budget for the next year
- in order to offer all the needed tools according to the globalization of it

The Goal of the Exercise

Budget for 2015

- \$1,903M US
- Increase of 27%
from 2014

Potential Users

- 2014: 1 969
- 2015: 1 969
- No increase

The Figures

- *Demonstrating value on return on investment: the ongoing imperative*, Roser Strouse, Information Outlook, vol. 7, no. 3, March 2003.
- Outsell's Normative Database, December 2002.

The Figures

Given

- Time saved: \$35 US per library use
- Revenue generated: \$777 US per library use
- Money saved: \$42 US per library use
- Average library use by user: 35

Kept

- Time saved: \$35 US per library use
- Revenue generated: \$78 US per library use
- Money saved: \$42 US per library use
- Average library use by user: 35

The Calculations

Cost by User

$$\begin{aligned} \$1,903\text{M} / 1\,969 &= \\ \$966.50 \text{ US} \end{aligned}$$

The Calculations

Annual saving per library use

$$\begin{aligned} \$35 + \$42 + \$78 = \\ \$155 \text{ US} \end{aligned}$$

Annual saving per user

$$\begin{aligned} 35 \times \$155 = \\ \$5\,415 \text{ US} \end{aligned}$$

The Calculations

Number of users for
breakeven

$$\begin{aligned} \$1,903\text{M} / \$5\,415 &= \\ &351 \end{aligned}$$

Percentage of users
for breakeven

$$351 / 1\,969 = 18\%$$

The Telephone

The goal was to benchmark the:

- Cost by user
- The average library use per user

The Telephone

Cost by user

- The range was from \$775 to \$1 200 US by user, for the tools only

Average library use per user

- Even if people had not much statistics on that (except from one source who was giving about 60) they found 35 as conservative

The Brief Analysis

- The cost by user of \$966 US (including everything) showed that we were in the same ball park than other pharma or even lower.
- 35 library uses per user looks conservative.

The Brief Analysis

- 20% of employees using the Documentation Center represents a profit of \$230 000 US

$$(1969 \times 20\% = 394)$$

$$394 - 351 = 43$$

$$43 \times \$5415 = \$232\,845 \text{ US}$$

- 25% of employees using the Documentation Center represents a profit of \$760 000 US

$$(1969 \times 25\% = 492)$$

$$492 - 351 = 141$$

$$141 \times \$5415 = \$763\,515 \text{ US}$$

The Conclusion

Since the numbers used for our calculations are all conservative, if one employee out of five (or more) is using the Documentation Centre, it is a

PROFIT CENTER