



Calculating ROI

When purchasing an IWMS/CAFM

Playbook

Introduction

Purchasing an Integrated Workplace Management System (IWMS) or a Computer-Aided Facility Management (CAFM) system is a significant investment for any organisation, and calculating its Return on Investment (ROI) is essential to justify the expenditure and ensure it delivers tangible value.

This playbook outlines how to calculate the ROI of an IWMS/CAFM system, considering both quantitative and qualitative factors. This framework is intended to be a guide for businesses in the UK looking to assess the value of such a system before making a purchase. Every business is different, and objectives and cost savings can vary, but hopefully this playbook is a good starting point for developing your strategy.

Define the objectives of the IWMS/CAFM system

Before calculating ROI, it is crucial to clearly define the goals your organisation seeks to achieve through the implementation of the IWMS. Common objectives include:

Operational efficiency

Streamlining facility management processes (e.g. maintenance, space management, lease management, finance processes).

Cost savings

Reducing operational costs (e.g. energy management, resource allocation, contractor/engineer invoices).

Space optimisation

Improving utilisation of office space and real estate.

Regulatory compliance

Ensuring adherence to health and safety or environmental standards.

Improved data insights

Enhancing decision-making through better reporting and analytics.

These objectives should be linked to specific KPIs (Key Performance Indicators) to ensure that the ROI calculation can be accurately measured against expected outcomes.
To do this you need to calculate your baseline – where are you today?

Identify the costs involved

To calculate ROI, you must first understand all costs involved in implementing and maintaining the IWMS. These costs typically fall into three broad categories:

Initial investment

- **Software licence fees:** The cost of purchasing or subscribing to the IWMS/CAFM system, which may include upfront licence fees or subscription fees for Software-as-a-Service (SaaS).
- **Implementation costs:** The cost of integrating the system into the existing IT infrastructure, including configuration, customisation, and data migration.
- **Training:** Costs associated with training staff to use the system effectively.
- **Consulting fees:** Any advisory services or consultancy fees required for project planning, implementation, or optimisation.

Ongoing costs

- **Subscription fees (for SaaS models):** Recurring payments for the use of the system, typically billed annually.
- **Support and maintenance:** Fees for software updates, technical/helpdesk support, and system maintenance.
- **Operational overheads:** Staff time spent on managing the system, including day-to-day management and troubleshooting.

Indirect costs

- **Downtime:** Potential loss of productivity during the implementation phase or while staff adjust to the new system.
- **Change management:** Costs associated with managing organisational change and aligning teams with new processes and workflows.

By identifying all these costs, you can establish the total financial investment required for the IWMS/CAFM system.

Estimate the benefits

The next step is to estimate the financial benefits the IWMS system will bring to the organisation. Benefits can be both tangible and intangible but should be measured in financial terms where possible.

Tangible benefits

- **Cost reduction:** Calculate savings in operational costs, such as:
 - **Energy efficiency:** Improved energy management leading to lower utility bills.
 - **Maintenance savings:** Reduction in emergency repairs, optimised preventative maintenance, better processes to ensure competitive quotes, and lower labour costs.
 - **Space management:** Savings from reduced office space requirements or optimised use of existing space.
- **Labour efficiency:** Reduced time spent on administrative tasks (e.g. work orders, manual reporting), leading to lower staffing requirements or higher productivity.
- **Reduced outsourcing costs:** If the IWMS helps manage facilities in-house rather than outsourcing, calculate the savings from reducing third-party contractor costs.
- **Compliance and risk reduction:** Avoidance of fines or penalties due to improved compliance with legal and regulatory requirements.

Intangible benefits

- **Improved decision-making:** The ability to make data-driven decisions with real-time access to information on asset performance, space utilisation, and resource allocation.
- **Enhanced employee satisfaction:** A more efficient and comfortable workplace can lead to higher employee satisfaction and retention.
- **Strategic advantage:** Gaining a competitive edge by being able to respond to changes in the workplace more quickly and effectively.
- **Environmental impact:** Demonstrating corporate social responsibility through sustainability efforts like energy reduction and resource optimisation.

Though these intangible benefits are harder to quantify, they can have significant long-term value.

Quantify the RoI

With both the costs and benefits identified, you can now calculate ROI using the following formula:

$$\text{ROI} = \frac{\text{Net Benefit}}{\text{Total Investment}} \times 100$$

Where:

- **Net Benefit** = Total Financial Benefits – Total Costs
- **Total Investment** = Initial Investment + Ongoing Costs (over the evaluation period)

Example calculation

Suppose the total investment for the IWMS is £500,000 over the first year, including all initial and ongoing costs. The estimated financial benefits (e.g., cost reductions, labour savings, and efficiency gains) total £750,000 in the same year.

$$\text{Net Benefit} = £750,000 - £500,000 = £250,000$$

$$\text{ROI} = \frac{£250,000}{£500,000} \times 100 = 50\%$$

This means that for every £1 invested in the IWMS, the organisation will see a return of £1.50 in benefits.

Calculate payback period

The payback period is the time it takes for the benefits to cover the initial investment. It is a key metric for understanding how quickly the organisation will recoup its investment.

$$\text{Payback Period} = \frac{\text{Initial Investment}}{\text{Annual Net Benefit}}$$

For example, if the initial investment is £500,000 and the annual net benefit is £250,000, the payback period is:

$$\text{Payback Period} = \frac{£500,000}{£250,000} = 2 \text{ years}$$

This means the organisation would recoup its investment in two years.

Conduct sensitivity analysis

Given the uncertainties in estimating both costs and benefits, it is useful to conduct a sensitivity analysis. This involves testing how changes in key assumptions (e.g. cost savings, implementation time, or subscription fees) impact ROI. It helps assess the risk of the investment under different scenarios.

For example, what happens if the estimated energy savings are 20% lower than expected, or if the system needs additional support beyond what was anticipated?

Present ROI to stakeholders

Once the ROI has been calculated, it should be presented clearly to key stakeholders, including finance, facilities management, and senior leadership. This presentation should:

- Provide a clear breakdown of both costs and benefits.
- Highlight the ROI percentage and payback period.
- Discuss potential risks and how they have been mitigated.
- Address any qualitative benefits that may not

Monitor and adjust

After the system is implemented, it's important to track the actual benefits versus the projected ROI. Regular monitoring should be done to assess the system's ongoing impact, identify any issues, and adjust operations as necessary to maximise ROI. This should include:

- Reviewing system performance at regular intervals (e.g., quarterly or annually).
- Updating the ROI calculation based on actual performance data.
- Fine-tuning processes or workflows to optimise outcomes.

Conclusion

Calculating ROI for an IWMS requires a comprehensive approach that considers both tangible and intangible benefits alongside associated costs. By following this playbook, organisations can make more informed purchasing decisions, ensuring that the system delivers value that justifies the initial investment and ongoing costs. Proper monitoring and adjustment post-implementation will help maximise the system's return over its lifecycle.



Book a demo

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