

Methodologies for ROI estimation

At the end of this lesson, readers should be able to know some of the methodologies for measuring return on investment.

Some of the methods of measuring return on investments include: benchmarking, categorization, Targeting, Costing, Prediction and Measuring:

- **Benchmarking:-** This has much to do with identification of departments in the organization that might be affected by the proposed changes whether they fall into the categories of back offices or front offices, you must be able to pinpoint to identify and discuss with them how the change will affect them.



- **CATEGORIZATION:-** It has to do with the categorization of strategic long and short term goals. It will help the organization to focus on its objective what we are saying is that the organization must divide their goals and know what comes first. This will help them to be

orderly in the way things are been conducted

- TARGETING:- Under this, the organization is able to set up performance metrics or things they can use to measure their success. For example, there must be set up of Milestones and targets when will help the organization to know whether they are succeeding or not.
- COSTING:- As is widely believed that if you want to build a house, you must know what it will cost in order to avoid setting up an abandoned project, so also you must know what it will cost the organization to acquire a solution and decide **on whether the organization has the money or not.**
- PREDICTION:- When you are measuring ROI, you must be able to predict the likely future of a solution. To a large extent, using the available statistics, you must be able to predict whether **a particular venture will be successful or not.**
- MEASURING:- You must be able to measure your gains. This has to do with focusing on the benefits that the adoption of a CRM system has brought to an organization or what is likely to bring. This will also help in getting top management approval for a particular solution.
- SUMMARY:- At the end of this lesson, we have been able to discover that methods of calculating ROI include: Benchmarking, Categorization, Targeting, Costing, Prediction and Measurement.

Measuring ROI for CRM can be categorized into four classes which include Revenue enhancement, Margin enhancement, cost reductions and other benefits such as increased customer satisfaction, superior market intelligence and product development.

Action Point.

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