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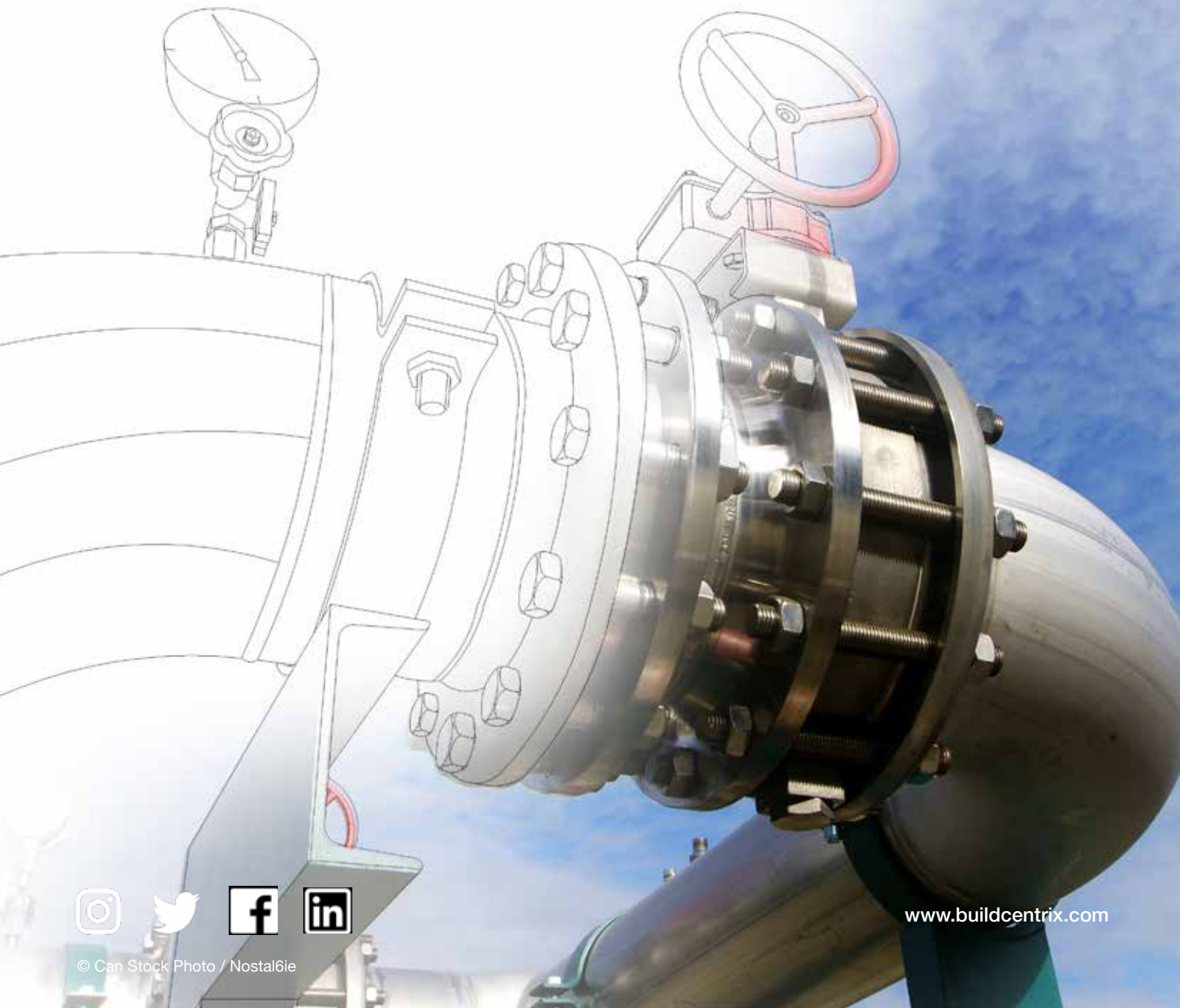
CONSTRUCTION IN THE CLOUD

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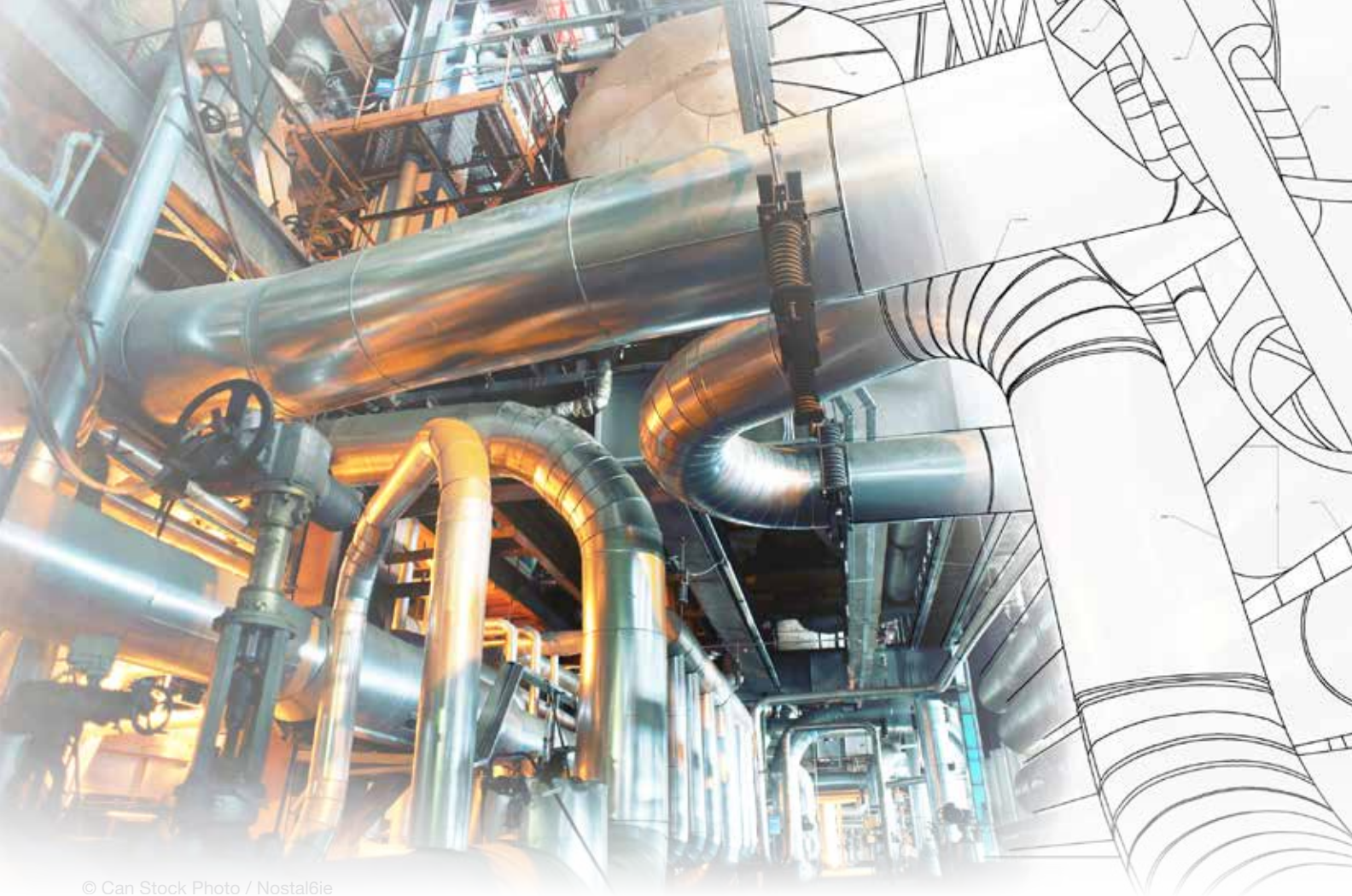
SaaS and ROI:
How to Calculate the Return on Investment in Technology

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By / Jessica Kirby

Bigger businesses should always look at ROI for any capital expense, and calculating that ROI is fairly simple. If the cost of the item is less than the amount of money the item saves the business over a relatively short amount of time, the ROI is positive. If the initial investment is not recovered or if it is eventually recovered after an unreasonably long amount of time, the ROI is non-existent or poor.

Where hardware is often purchased with a time or cost savings aim, software packages tend to be implemented out of necessity — for example, to calculate taxes, handle payroll, or manage accounts. In that case, it is less so a return-based investment and more a critical capital expense, so ROI is calculated differently. And if that software is SaaS, the ROI calculation can be different as you consider the per user or per seat user agreement. In that

case, the ROI actually depends on what you are doing with the package.

Software as a Service

"We do a lot of timecards, tool tracking, field procurement, VDC integration, and order tracking, for example," says James Beveridge, CEO of BuildCentrix (BCX). "There is a lot you can do, so you have to figure out what to implement and the best way to do that. What do you want to accomplish? Do you want to start small with timecards or field procurement?"

In this type of multi-function implementation, the company can base ROI on savings for those modules, and SaaS with per user licensing provides an easy cost distribution to calculate ROI based on the features and benefits.

> **Cost savings don't necessarily have to be happening with the person who is using the SaaS... In a typical mechanical contractor set-up, you have project managers, VDC, estimating accounting, payroll, shop, and field. The company might be implementing technology for the field or shop that will save time but also pull through for the other divisions.**

"To calculate for SaaS, or paying per user, you can look at what benefit each person is getting," Beveridge says. "Savings tend to co-relate with time, such as cutting down on communications or issues with veracity of information, for example. To do an ROI, look at how much time per seat is saved and calculate the cost per time."

Those savings could reflect the labour burden, based on what a company pays the workforce. If it costs X per month for the application, are you returning X amount in time saved or spent more productively?

"And the savings don't necessarily have to be happening with the person who is using the SaaS," Beveridge adds. "For example, in a typical mechanical contractor set-up, you have project managers, VDC, estimating accounting, payroll, shop, and field. The company might be implementing technology for the field or shop that will save time but also pull through for the other divisions."

It is also important to consider soft returns, where the benefits are realized through a better facilitated system, such as training or onboarding or access to resources.

"For example, BCX has field timecards, reimbursements, tool tracking, field ordering, and order tracking all in one platform," Beveridge says. "Instead of supporting several apps, a company can perform several functions all in one place. That creates a system where the information is at your fingertips you can easily use it to forecast and plan instead of dipping into several buckets."

How to Measure ROI

With capital investment savings, ROI simply means if something costs $20,000 and you forecast you'll make $30,000 using it, that is a simple hard return on that investment. The soft return for ROI is measured in ease of use for systems. But how quickly does it add up?

"We want our customers to do an ROI, and we offer to do it with them because we want them to understand how the investment equals return," Beveridge says. "One ROI we did recently was for shop timecards for 25 users. The timecards meant there was less data for the fabricators to enter, it was more accurate so less approval and rework administration on the timecard entries, and the information automatically went to payroll, so there was no data re-entry.

"They used to enter everything into Excel, the shop manager would check it over, and then re-enter it into payroll for 25 users. At $1 per minute, shaving 15 minutes off each entry times 25 employees adds up to $19,000 in savings annually."

When calculating the ROI, remember that the numbers and factors should be custom to the technology—consider what the software does for the organization and the various departments that benefit from the service offering. There is no "one ROI fits all".

"Look closely at returns," Beveridge says. "One metric is cost-process per order. Each order requires administration, overhead, re-entry, data verification, time tracking, materials, and other factors, and BCX does it all within one application."

He adds that the focus of an ROI should be the areas of the business you want to impact—the 'why am I doing this'.

"Based on that and knowing that if you're getting 300 field orders each month and information is missing, the drawings are different, and each order and process is time heavy, then we know the cost per order is high and the company is wasting time," Beveridge says. "The soft benefits are to have a system that applies standardization to every order. That way, you can build your ROI based on time and easily translate that into a dollar amount."

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BuildCentrix

BUILD FASTER.

BUILD SMARTER.

Work Order Admin and Work Order Details V2

BCX is launching new Work Order Admin and Work Order Details pages. The new pages use a MEAN stack and provide usability and speed enhancements for shop managers. There is a lot of important information contained in an order, and the new UIs allow BCX to better display all of the viable information. An added bonus is the new UIs fit perfectly on smaller form factors devices, such as iPhones.

Watts Machine Integration for BCX Piping

Piping products ordered on BCX can download directly into Watts orbital welding equipment. Any appropriate piping product that has welding produces a file that integrates into Watts, eliminating re-entry. The BCX piping engine is highly flexible and will offer integrations into other leading piping equipment. Learn more at | *buildcentrix.com* ∎