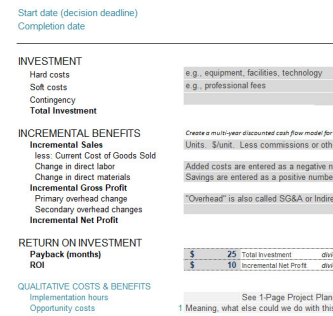


## ROI WORKSHEET

*“Many analytical tools are too complex or too simple. We needed something that would also help everyone see the qualitative issues of risk and opportunity costs. The Center’s ROI Worksheet helps us decide together, and it’s saved us from some impulsive decisions.” - CFO*

### What Would the CFO Say?

The **ROI Worksheet** will work for most decisions, though every decision-maker and organization differ in their need for analysis. The Worksheet will help you and others focus on the critical assumptions; it produces simple ROI and payback numbers. Like all analytical tools, it is meant to provide both rigor and objectivity.



Start date (decision deadline)  
Completion date

**INVESTMENT**  
Hard costs  
Soft costs  
Contingency  
Total Investment

**INCREMENTAL BENEFITS**  
Incremental Sales  
less: Current Cost of Goods Sold  
Change in direct labor  
Change in direct materials  
Incremental Gross Profit  
Primary overhead change  
Secondary overhead changes  
Incremental Net Profit

**RETURN ON INVESTMENT**  
Payback (months)  
ROI

**QUALITATIVE COSTS & BENEFITS**  
Implementation hours  
Opportunity costs

e.g., equipment, facilities, technology  
e.g., professional fees

Create a multi-year discounted cash flow model for  
Units: \$/unit. Less commissions or other  
Added costs are entered as a negative number  
Savings are entered as a positive number  
\*Overhead\* is also called SG&A or Indirect

\$ 25 Total Investment div  
\$ 10 Incremental Net Profit div

See 1-Page Project Plan  
1 Meaning, what else could we do with this

### Benefits

The Center’s tools minimize omissions, improve communications and foster collaboration. The **ROI Worksheet**:

- Helps quantitative and qualitative thinkers work together
- Provides a clear record of the decision
- Sets up a way to evaluate the investment after it’s started up

**Difficulty** Difficult  
**Estimated time** 12-16 hours

### Instructions

The Question Map or 1-Page Project Planner can bring big decisions into focus, but they also need quantitative analysis. The Index will help you spot issues.

1. Be sure you’ve carefully articulated the decision and assumptions.
2. Thinking through the initial tasks helps you be realistic about the investment.
3. Run “what if” (“sensitivity”) scenarios.
4. Create more detailed analyses as needed, perhaps for tax consequences.
5. Once complete, recheck the initial idea, assumptions, and risk assessment

*Subscribers can contact the Center for assistance.*

### Make It Better

Users should share ideas for improving any of the Center’s tools and how they’re taught and formatted. It’s also great to suggest new applications or brand-new tools.

# SAMPLE

## ROI WORKSHEET

### IDEA Replace antique coffee maker with new

Date 8/4/2023

Champion Brian Jones

This worksheet helps managers refine ideas to improve quality, control risks, or provide new income--or all three. See The Index for best practice ideas.

- 1 Are we solving a problem or capturing an opportunity?
- 2 Will this help eliminate more than one step or service?
- 3 Have we tried something like this before? Has anyone?
- 4 Is an experiment possible?
- 5 How confident are we in our assumptions?

### SUMMARY

See Goal Tree. Current antique coffee maker cannot keep up with demand, creating delays and dissatisfaction. A state of the art machine will provide more capacity. While changing the machine can happen in a day, other changes to processes and layout will take a month.

### ASSUMPTIONS

- 1 We can't have both machines: not enough space, too complicated.
- 2 We can get an SBA loan and won't need to use all our line of credit or owner's capital.

### RISKS

- 1 Many customers are upset that we don't have the beautiful old machine and believe the coffee doesn't taste as good.
- 2 That competitors will take advantage of our given up the machine that's part of our brand.

### INITIAL TASKS

- 1 Survey customers using emails from redemption program.
- 2 Hold preliminary meeting with bank re: SBA loan
- 3 Engage customers in taste test with loaner machine (see if can get temporary hook-up)
- 4 Create detailed counter layout to make sure we don't create new bottleneck.

### We'll know we're successful when...

We rarely have lines, people still say the coffee tastes great, and staff are feeling less pressured.

### Decision deadline

12/31/23

### INVESTMENT

|                            |  |                         |
|----------------------------|--|-------------------------|
| Hard costs                 | New machine (\$15K), counter remodel (\$10K)                         | \$ 25,000               |
| Soft costs and contingency | Initial marketing (\$3K), training hours (\$3K). Contingency of \$3K | \$ 9,000                |
|                            | Months to complete 1   | <b>Total Investment</b> |
|                            |  | <b>\$ 34,000</b>        |

### INCREMENTAL BENEFITS

|                               |  |                  |
|-------------------------------|--|------------------|
| Annual revenue                | 12 drinks/shift, \$1.70/drink margin, 300 days | \$ 12,600        |
| Annual labor savings          | 1.0 hours/shift, 2 shifts, 300 days, \$12/hour | \$ 7,200         |
| (Annual added labor costs)    | None   | \$ -             |
| Annual other expense savings  | Save maintenance on old machine                | \$ 1,000         |
| (Annual added other expenses) | None   | \$ -             |
|                               | <b>Incremental Income</b>                      | <b>\$ 20,800</b> |

### RETURN ON INVESTMENT

|                         |                              |            |                    |           |   |            |
|-------------------------|------------------------------|------------|--------------------|-----------|---|------------|
| <b>Payback (months)</b> | \$ 34,000 Total Investment   | divided by | Incremental Income | \$ 20,800 | = | <b>20</b>  |
| <b>ROI</b>              | \$ 20,800 Incremental Income | divided by | Total Investment   | \$ 34,000 | = | <b>61%</b> |

### SOFT COSTS & BENEFITS

|                      |     |   |      |
|----------------------|-----|---|------|
| Implementation hours | 150 | General manager, first shift leader                                       |      |
| Opportunity costs    | 1   | Adding a second antique coffee maker                                      |      |
|                      | 2   | Spending money to seed a second location next year                        |      |
|                      | 3   |   |      |
| Service improvement  |     | Time to prepare drinks, and time between drinks will improve              | High |
| Quality improvement  |     | While quality will be more consistent, it might not be perceived that way | Low  |
| Competitive gain     |     | Could be a risk to our brand  | Low  |
| Social benefit       |     | No real change  | Low  |

### Comments

While the numbers took good (we both earn and save more), we really need to make sure the customers won't be too upset about the new machine. After doing our customer research, we might find a good way to create acceptance.

### DECISION

Revise: More research needed

11/30/23