A **White Paper** by Percussion Software, Inc.

IN PRACTICE:

Four Models for Demonstrating ROI and Building a Business Case for Your Web Content Strategy

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Building a business case for investing in your web content strategy, whether through technology, additional people, or new processes will require that you justify to your senior executives that the investment will pay dividends. Use the following paper, and the four models that are presented here, as a framework to help guide your own investment justification process.

From planning to execution, from technology to process, you know it's time to accelerate your web strategy, your content marketing strategy, and your customer engagement strategy. As you attempt to keep up with "Web Speed" you must connect your social strategy with your web content systems and deliver a cohesive experience across web, social and mobile channels. These will require investments in new technology, new process, and possibly, new people.

No matter if you are replacing an existing system that no longer supports your needs, or looking to upgrade your web technologies the goal remains the same: to deliver a better overall web experience for your customers, drive deeper engagement, and ultimately more conversions into business. Your challenge is to connect these business drivers to your goals concretely so that your investment requests are approved quickly.

The faster you get through the approval process, the faster you can begin making the required changes and start showing value to the organization. Unfortunately, this is where many teams get stuck. Despite assurances that budgets are in place, when it comes time to select a technology or add people, the investment justifications come up short and the request is tabled until more information can be gathered, or worse, denied altogether.

Why? In our experience, most times it's because the investment request is poorly framed, and is not closely connected to the core business drivers of the organization. Unfortunately, the typical request is framed as "making the requester's life easier," and this rarely flies as a budget justification.

Instead, frame the ROI on your web content management strategy around key business goals like scaling your web site traffic, driving conversions, and creating efficiencies from time savings and reducing infrastructure costs. THOSE are the terms the people writing the checks can relate to.

To help you better frame your budget request and overall strategy, we have drawn upon our experience working with customers across numerous industries and geographies over the last 10 years as they go through this process to create the following four models for justifying your investment request.

1. Connect Web Content Management strategy to business or unit objectives
2. Measure costs of today's operations and show cost reductions
3. Calculate the value of expanding the web opportunity
4. Net Present Value, ROI, and years to payback modeling

The faster you get through the approval process, the faster you can begin making the required changes and **start showing value to the organization**.

In the following pages we provide you with a framework for how to calculate each of these areas and apply them to your business. We are confident that applying even one of these models in your investment request will show that you have thought through your request in the context of the business and will speed up your approval cycle.

And the faster you are approved, the faster you can drive more value from your web strategy.

Model 1: Connect Web Content Management Strategy to Business or Unit Objectives

This one might seem pretty straightforward, but it's remarkable how few people actually undertake the effort. No matter who you work for, your senior executives have an overarching business goal to grow revenue, reduce costs, and optimize the "expense platform." From there, follows an operational plan that identify annual or multi-year core business objectives to achieve these end goals. Your challenge is to position your request in the context of these core business objectives.

First, identify the current core business objectives of your organization. If you don't know, they shouldn't be hard to find by talking with your senior team. Second, connect the results of your activity to those business objectives. Third, show how your web content management platform will drive those results, because without a solid technology strategy, the rest of the web, social and content marketing strategies will suffer.

The following are some typical business objectives with some representative examples of how to make those connections. Clearly you would need to adapt the following to your own business case.

Business Objective 1: Expand revenue in new geographies

Web Objectives: Launch new localized language web sites to better connect with buyers in target countries. Expand and tailor existing local language sites/content to buyer demographics in-country. Create better targeting and segmentation for in-country campaigns.

Platform Deficiencies: Current manual processes roadblock the ability to launch new language sites quickly and ensure translation is up-to-date. In-country managers are not able to effect change on the web site rapidly enough. All activity is single threaded through HQ web team.

Expected Improvements: With new WCM technology in place, in-country managers will be able to directly update local-specific pages and expand local language content. Current plans to launch X new countries in current year could be accelerated, bringing potential new revenue streams sooner than expected.

Business Objective 2: Create deeper engagement and a closer connection with customers and prospects

Web Objectives: Leverage the web to create more opportunities for customers and prospects to engage with the company and with each other, through organizational blogs, communities of interest, targeted content, and even personalized content tracks.

Platform Deficiencies: Blogs are limited to marketing team and are disconnected from corporate sites. Current systems are not capable of targeting and personalizing content based on segmentation. Communities cannot be created. The pace of new engagement-focused content that can be added to the site is throttled by system, process, and personnel bottlenecks.

Expected Improvements: Web content management software will allow the team to scale the amount of content across all web properties. Advanced blogging, tagging, categorization, metadata, ratings, and commenting functions will create opportunities for engagement with customers and prospects. Expanding web footprint to include social channels such as Facebook, and Google+ drive additional connections.

Business Objective 3: Launch new product(s) or services to expand revenue

Web Objectives: Use web as primary vehicle to communicate new product mix, free downloads, and campaigns to support product launches.

Platform Deficiencies: Creating new templates, sections or download sections on the web site requires substantial development support (or third party services). The time required to develop and deploy required pages/sections may delay launches. Inability to measure and optimize campaign efforts will lead to inefficient or potentially less effective campaigns.

Expected Improvements: Marketing team will be in a position to deploy the required changes without utilizing the internal development team or the need to engage a third party services team. Marketing can achieve expected deadlines without delays, shortening launch cycles.

Business Objective 4: Reduce overall costs, specifically optimize technology spending and reduce reliance on third party contract resources.

Web Objectives: Optimize overall cost of web platform across infrastructure, support and maintenance, ongoing license costs, the support team and related tools.

Platform Deficiencies: Aging infrastructure may require the team stay current on dated technologies, continue to run on inefficient hardware, or pay 3rd parties for continued "lights-on support." Unable to transform infrastructure underneath existing web site platform.

Expected Improvements: Modernizing infrastructure or moving to a cloud environment will eliminate or reduce need for 3rd party services, support resources, or stand-alone single purpose infrastructure. Site is more flexible to take advantage of future needs lowering future costs.

The previous are just four example business objectives with some ideas on how to connect your request to those objectives. By expressing the need for web improvements in the context of these business objectives, your executives will have a better understanding of the expected connection and improvements.

We recommend using a flow of Business Objective, The Connected Web Objective, and Expected Improvements to clearly outline these areas of focus. Often it's helpful to express these in a summary table as well so that senior executives can identify the outcomes at a glance. This is especially important if you are not presenting the material directly to the executive team yourself.

Model 2: Measure Costs of Today's Operations and Show Cost Reductions

Finally! Here is where you get to explain how much time it takes you to do your job. Unfortunately the business case still cannot be "it is too hard." To accurately look at costs, it's important to catalogue every area of costs that can be quantified, and then establish a hard dollar amount for each.

Identifying costs for third parties where the firm actually writes a check is simple, particularly if you can show how those costs can be removed in your new model. The harder costs to quantify are those that do not actually involve writing a check. Here are some areas and categories to consider:

Third party Costs: (Costs that involve paying a third party)

- Software licenses, support and maintenance. Even if you are currently using an open source framework, you likely have a support agreement with someone. Be sure to include that cost in your analysis.
- Billable project time from third party integration firms who perform ongoing customization or updating to your system such as creating new navigation, templates or microsites.
- Contract or freelance resources whose sole job it is to support or maintain your system and are project based.
- Agencies that are brought on by end-users who are not able to get the site to meet their objectives in a timely fashion. Typically this is a marketing team member who leverages an agency to build a "rogue site," a campaign landing page or other custom microsites outside the main web infrastructure.

Internal Transfer Costs: (Costs allocated to your unit or project based on cost-accounting schedules)

- Development resources not on your team are often "charged" to your budget using your company's cost accounting methods. Even though no actual check is written, those costs are real to the business and should be calculated.
- Project management or support resources that are shared FTEs but are charged as overhead to your unit based on percentage of dedicated time.
- Server/infrastructure charges that are allocated to the business unit based on utilization.

Hidden Costs: (Costs that do not involve writing a check or an internal allocation, often the hardest to quantify, but may be the largest component of costs)

- **Your Time:** You and your teams time is a critical calculation. First calculate how much time it takes to do manual or non-routine processes. For example, every time a new page needs to be added to the system it takes someone on your team two hours to prep the content, load it to the system and then perform a final system-edit. Then, calculate the hourly equivalent rate of the person doing the work. Finally, calculate approximately how often that task is performed over the course of a week/month/year. Many organizations will use a blended FTE rate to represent the team because more than one person may be involved in that two hour process.
- **Cost of Waiting:** If it takes two hours, two days or two weeks, or even two months for a critical task to be completed because the development resources are not available to you and the technology is too complex, this should be factored. For example, if you are not able to launch your new campaign for two weeks that delay of two weeks can be calculated by factoring the cost of that two week delay on revenue. Or if your team can only run a total of six campaigns a year as a result of the process for setting up a campaign landing page, the expected value of being able to increase campaign throughput to eight or ten should be calculated.
- **Opportunity Costs:** Many organizations are able to "get by" using what we call brute force. Yes, the process is hard, but the team is in place to manage the tasks no matter how inefficient. However if a task or process can be eliminated or made more efficient, those dedicated resources can be redeployed on other projects. The value of the effort they could expend on another project should be calculated.
- **Supportability/Upgradeability:** We hear frequently from prospects that their current system is impossible to support and cannot be upgraded. There is a cost associated that is equal parts tangible "cost of support contracts" and the intangible "inertia" that comes from not being able to move forward. The hard costs should be captured where possible, the soft costs should be articulated.
- **Cost of Delay:** Frequently, projects are greenlighted, but for some future quarter when the business will improve, or other projects are completed. To be frank, this is often a polite way of saying no. What this means is that the executive team did not see enough urgency in the request and wasn't compelled to act now. Head this off by calculating the expected monthly revenue increase and/or monthly cost savings generated by your plan as above and including that in your model. State it very plainly:

  "Each month we delay launching this new initiative will cause us to miss revenue totaling $X per month, and further delay the expected costs savings of $X per month."

There are likely other examples that are relevant to your business. The key to this model is to create a spreadsheet calculation that shows each line item and their summarization. Working closely with your finance team on these calculations ensures you are using the correct figures for allocations that may not be readily available. Document the assumptions that were used to create the model as well so if you are challenged in the process you can adjust your calculations based upon changes to the assumptions.

Model 3: Calculate the Value of Expanding the Web Opportunity

Better web content strategies and systems have a directly correlated impact on the value of the web opportunity for your organization. More traffic creates more opportunities for conversion to pipeline. More content equates to more traffic. Better SEO equates to more traffic. Better connections between blogs, social communities and web content, equates to deeper engagement across all online channels. Document the value of the opportunity you are creating using your own real world scenarios will provide confidence that the investments will be worthwhile.

Each of these areas can be quantified in the context of your business. Some areas to explore include:

Value of Traffic: Traffic to your site must have a value. If you are selling a product on your site or selling ads, you have already factored this and know these numbers intimately. In all other cases, consider how to calculate that value by looking at how many "conversions" you currently drive through your web properties. What is the value of those conversions in either hard revenue, or in other measures. Aggregate those per "10,000 visitors" and then calculate the opportunity that each 10,000 visitor increase will mean to the business. As an example:

> **"A 10,000 visitor increase in traffic = 100 conversions = 10 Pipeline Opportunities" Where: Conversion : Form Download**
> **10 Conversions : 1 opportunity in pipeline**
> **10,000 Visitors : 100 Conversions**

Inbound vs Outbound: The Concept of Inbound Marketing and Content Marketing as a business driver has come of age in the last two years. Scaling your inbound traffic to your web properties and driving more conversations through inbound channels can allow you to further optimize and possibly reduce your reliance on paid campaigns. If you are going to cut your campaign spending as a result of the increase in your inbound conversions, this cost savings should be recorded. If you are going to merely optimize your paid campaign spend, this efficiency can be calculated in two ways: first, as an increase in total conversions, and second, by measuring improvements in the average cost-per-conversion ratios in-total. As an example:

> **Current Model: 10,000 paid + inbound conversions/month, Cost per Lead (CPL) of $32 ($320,000 total)**
> **New Model: 15,000 total conversions/month, CPL of $18 ($270,000 total) —Equates to a 50% increase in conversions (and pipeline of xx) while reducing campaign spend by $50,000/month.**

Value of Increased Visibility Across all Channels: For many organizations, this will be a soft value to articulate. It will be simply expressed as "by creating more conversations across our communities and social channels, we will better engage with our customers and prospects and drive more traffic." However for some organizations who have identified tangible ways to monetize those conversations, this value can be calculated. In one example, if you are running paid ad campaigns against a particular keyword set in the display ad content network, the additional conversations in the broader community will contain those keywords, and create new ad placement opportunities. They will be able to calculate how many new ad impressions these placements will drive, and the expected return on those placements.

Model 4: Net Present Value, ROI, and Years to payback

The classically trained financial analyst will always appreciate a true ROI estimate. Most organizations will calculate a simple ROI by examining cost of the new investment over the cost reductions that the new model will bring about. Then, amortizing that number over five years will show a break-even and years-to-payback. This is a very straightforward calculation and should be included in any cost justification program.

However, since every investment will show a solid ROI and most likely a 2-3 year breakeven time period, this approach is limiting. Instead, a more sophisticated approach is to use Net Present Value accounting to bring forward all future savings and future revenues into the present year and compare this year's expense against the present value of the future savings. This is a very complex calculation and requires some knowledge of things like your organizations cost of capital. We recommend working closely with your finance team to develop this calculation to ensure it is accurate, and stands up to scrutiny later in the project. (Visit the following site to learn more about calculating Net Present Value http://www.investopedia.com/terms/n/npv.asp.)

Be sure to identify all of the available cost savings and revenue opportunities using the previous three models to build the most accurate case possible.

Use the Four Models to Accelerate Approvals

Whether to use all four models proposed here is a function of your organizational structure and the overall investment request in the context of your annual budget. If you have to secure approvals through three layers of management, and the spend request is either a substantial portion of your annual budget, or an order of magnitude more than you typically request, you should have at least thought through each of these areas.

We have also found in most organizations you will have to actually present this analysis twice. Once when you are presenting your overall operational plan to secure approval to make the investment, and again when you have actually selected a technology to purchase. Unfortunately, we frequently see teams that mistake the first approval as a blanket approval for the whole project. When they come back to secure the "rubber stamp" on their request, they are not prepared for the tough questions that follow.

The budget justification does not have to be exhausting. Ideally, presenting the elements of each of these models that are most relevant to your organization in a short email or slide deck will be enough to get the required approval. Choose the ones that work best for you in the context of your organization.

But if you must fall back on the "it will make my life easier argument," at least quantify by how much, and by when!

Percussion has posted a few examples of winning investment requests as well as an ROI calculator on our web site at http://www.percussion.com/products/freedom/business-case-for-web-content-management-roi. Feel free to use these as a model for your own request.

Contact Percussion today if you would like our assistance in making your business case, we will be happy to help guide you through how to make your best presentation.

www.percussion.com

About Percussion Software

Percussion Software publishes a family of Web Content Management (WCM) solutions, CM1 and CM System, that help businesses simplify their web content management processes to increase traffic, drive conversion, improve personalization, and build community. Percussion's solutions' decoupled architecture uniquely allows business users across the organization to take control of content and presentation, provides unparalleled control over how web content is used and distributed across channels, and enables IT organizations to freely integrate third-party, delivery-side applications without restriction. Percussion's WCM solutions are used by Travel and Tourism corporations to generate online results, including Hotwire.com, Vegas.com, Princess Cruises, and Discover America.

To learn more, visit **percussion.com.**

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