

# Technology Analysis & Forecasting



Every company's technology requirements and budget are unique, however, there are a few questions you should ask to analyze your technology budget and properly plan for the future.

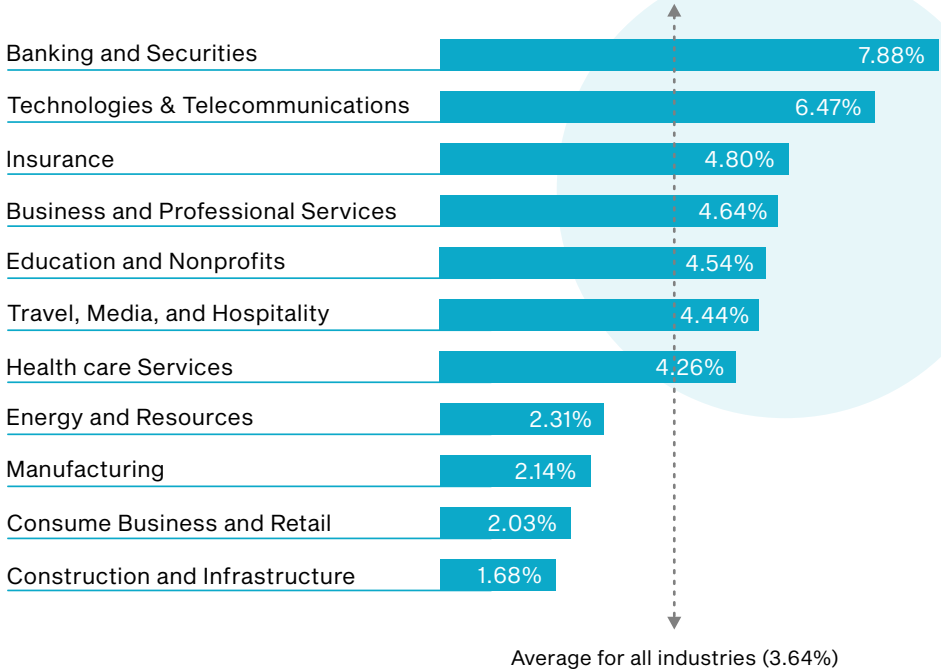
The first question is to determine, how much should you be spending? Are you investing enough to stay ahead of the competition or are you spending the least amount possible to get by?

Building propriety technology is one of the best investments a company can make, in the short term it improves profitability through business efficiencies, and long term it increases the value of your company. In most traditional industries a company is sold for 3 to 5 times EBITA, tech companies sell for 10 to 20 times EBITA.

As you can see from the figure below, analyzing your budget as a percentage of revenue and comparing that to your industry gives you a good idea of where you stand in the spectrum.

We'll get into other techniques to determine what you should be spending but this is a good starting point for reference.

## Average IT budget as a percentage of Revenue



The next steps in the break your total IT budget down between capital (below displayed as Incremental business change and business innovation) and operating. Your operating budget is what it cost to “keep the lights on” if you will. The goal is to minimize your operating budget and maximize your capital budget.

### There are a few reasons behind this:

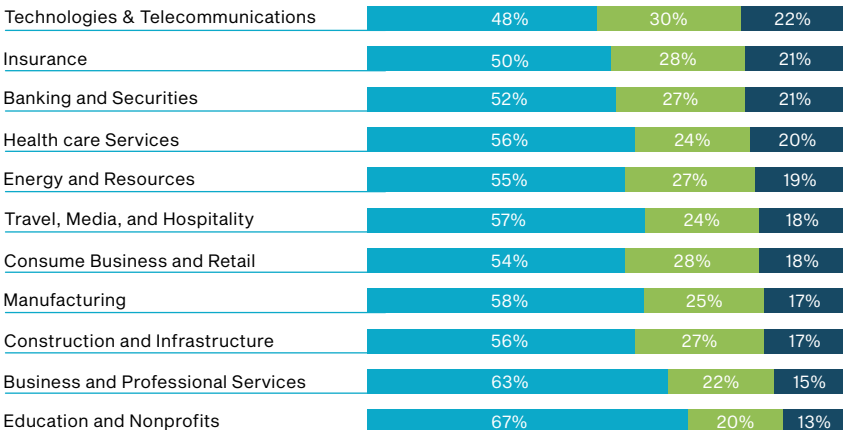
1. Your operating budget is an expense and your capital budget is an asset. Capital expenditures offer benefits for accounting, as you can capitalize the expense over a longer period of time.
2. Technology forward companies have a significantly higher sale value than their less tech savvy competitors.
3. There is no question in this day and age your business needs to run efficiently to survive and one of the biggest differentiators for efficiency is custom software.

■ Business Operations    ■ Incremental Business Change    ■ Business Innovation

#### AVERAGE , ALL RESPONDENTS



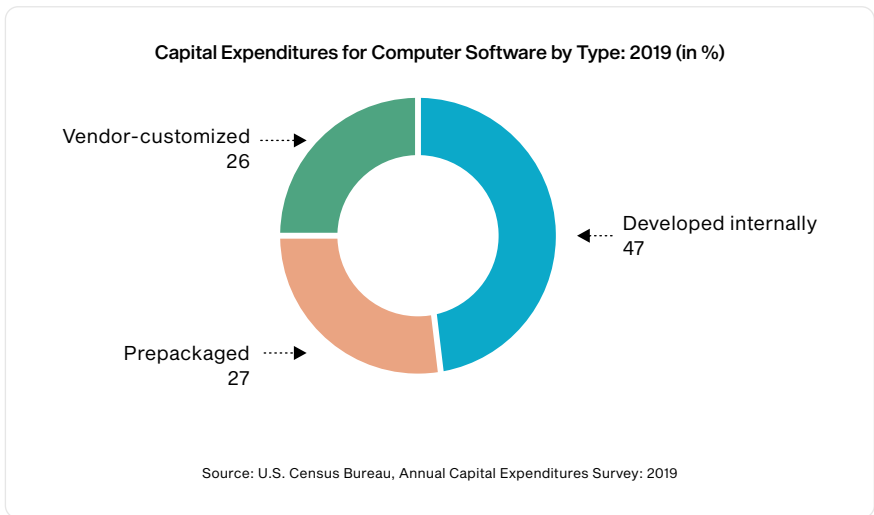
#### AVERAGE , ALL INDUSTRY



When it comes to capital expenditures companies on average spend these funds as shown below. Nearly 75% of the budget goes towards custom development, either in the form of customizing a third-party platform or developing platforms internally.

The worth of custom developed software is proven from multiple perspectives; cost savings from a business efficiency perspective, increased value of your business, as well as improved employee satisfaction and retention...we'll dive more into that last point shortly.

Know that you have a better understanding of what you should be spending from an industry benchmark perspective let's take a deeper dive into your specific business.



## Technology solves three main business problems:

1. Improves customer experience
2. Creates business efficiencies
3. Provides data for improved decision making

Next we'll breakdown these areas and assign a preliminary number to each subcategory. Don't worry about getting the initial numbers 100% accurate, you can always go back and adjust. The goal is to get you thinking about your technology spending from a several different perspectives, so when you are reviewing and evaluating it in the future you are considering all these perspectives.

### THE VALUE OF IMPROVED CUSTOMER EXPERIENCE

#### Increased sales

What impact could the right technology have on increasing sales? All businesses today interact with their customers via technology in some form. If the look, feel, and process flow of your technology was improved, how much of an impact could that have? 10%, 5%...numbers as low as ½ percent increase on sales revenue become significant when comparing the cost to make these changes.

Estimated Amount (\$):

### Improve custom satisfaction

What could be done from a technology perspective to increase repeat business and referrals?

Do you have system in place to for customers to easily provide your company with reviews online? Do you contact customers to request a review? What does your referral process look like? There are multiple touch points and automation which can be added to the sales process which improve customer satisfaction.

Estimated Amount (\$):

### Reduce customer returns / churn

Product quality, customer support, customer feedback, a personalized experience, loyalty programs, and proactive engagement are all ways to reduce returns and churn. Like most things in business, they can all be improved by technology. How much money could be saved if these areas where improved.

Estimated Amount (\$):

## CREATING BUSINESS EFFICIENCIES

### Employee process efficiency

This category is all about reducing labor costs and is the low hanging fruit of the custom software industry as the cost savings are typically easy to calculate and undeniable. There are a few ways to look at this, saving a large amount of time for a handful of individuals or a small

amount of time for large number of employees. In the first example, if you have three or more people spending the majority of their time on tasks which can be automated, there is a better than average chance you'll save money by automating the process. In the second scenario even saving just 15 minutes a day across 100 employees making \$30 an hour equates to nearly \$200,000 in annual savings.

**Estimated Amount (\$):**

### **Recruiting and training costs**

A quality technology stack can be a game changer for training and recruiting. From a recruiting perspective, especially in a sales environment, technology can be a major deciding factor in a candidate's decision in choosing a company. From a training perspective, depending on the situation several hundred if not thousands per employee is saved in regard to reduced training times. In several instances custom software can significantly reduce the skill set required to perform a job and therefore reduce the salary required to fill that role.

**Estimated Amount (\$):**

### **Data processing speed**

Processing large amounts of data in real-time can dramatically improve business processes. This can range from processing customer sales trends to automatically adjust pricing to monitoring staff milestone completion for improved management KPI's. Shifting



data processing from a weekly or monthly task to one which is performed in real-time provides a wide range of benefits.

Estimated Amount (\$):

### Improved communication

Improved communication and efficient business processes go hand and hand. How much time can be saved by staff and systems instantly communicating, milestones completion in one department creating a notification for another department to begin their role in the process. Besides efficiency employee morale and comradery improve with better communication as well.

Estimated Amount (\$):

## BETTER DATA EQUALS BETTER DECISIONS

### Easy to interpret and act on

When data is easy to interpret, managers can readily grasp key insights, trends, and patterns, allowing them to make informed decisions in a timely manner. It enables them to assess the organization's performance, understand customer behavior, evaluate market conditions, and identify growth opportunities.

Estimated Amount (\$):

### Provides real-time visibility to all

Real-time visibility provides transparency across the organization. When staff members have access to real-time information, they can understand the current state of the organization, including its performance, goals, and progress. This transparency fosters trust and a sense of ownership among employees.

Estimated Amount (\$):

### Total Potential Savings with optimized technology

Amount (\$):

If the total exceeds \$100K, it might be worth exploring how custom software can help, if the total exceeds \$200K it is definitely worth exploring further. The big question is of course, how much will a custom solution cost? It's not possible to provide an answer without spending more time understanding the details behind the problem you are looking to solve. We can provide you with some basic guidelines however.

Typical custom developed for enterprise solutions ranges between \$100K and \$250K+ depending on the complexity, numbers of users, integrations, size of data, etc. We have provided solutions to replace existing SaaS platforms for as low as \$50K. In regards to the development timeline, most projects fall in the six to nine month range, with two to three months on the low end.

Customers often look towards the idea of replacing their most expensive platforms, however, that generally is not a good idea. These platforms tend to have a significant number of integrations (API's) as well as several modules which interact with one another. API's need to be updated a fair amount and you need to be in close contact with the developer you are integrated with so you make changes before they do to ensure the API connection is always working. Several intertwined modules is costly in regards to development and quality control.

If you are going to go down the path of replacing a core platform, just understand you will become a software company and will need to have a full-time team dedicated to maintaining the platform. All of this is possible but not a small undertaking.

Niche 3rd party SaaS products which cost over \$2500 a month, manual processes which involve 3 or more people, platform integrations, and better utilizing large data for improved decision making are projects we can typically demonstrate a solid ROI on.

## Forecasting

A well crafted budget forecast allows companies to align their IT initiatives with strategic objectives, prioritize projects, and allocate funds accordingly, fostering a sense of financial control and accountability. One of the biggest elements to consider are SaaS platform based on per user fees. Perhaps today the total monthly fee makes sense, but if you increase the number of users it might make

sense to switch to a custom platform. We look at a 3 year ROI for all projects, meaning if we can build a custom solution for less than you would be paying for 3 years of fees it's a project worth discussing in more detail. As mentioned above, platforms you are spending more than \$2500 a month on are worth exploring.

Another key element of forecasting revolves around new compliance requirements and changing technology needs. A year is a safe timeline to work with, most items can be accomplished in a year. If there are changes coming to your business in a year or less you should be speaking with a custom development firm about potential solutions now.

## Next Steps

Thus far we've examined your current technology from several perspectives and hopefully shed light on potential for improvement you were not preciously aware of. The struggle with most new clients is they have an idea of what would be helpful in their business but they assume a custom solution would cost too much so they don't pursue it, it stay an idea which someday would be great.

We can help put a number to your ideas as well as help flush out potential you may not have considered. Click the link below to book a free 30 minute explority call now and we'll help put more clarity around what your best options are now and in the future to optimize your technology.

click me  [Let's talk](#)

