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The ROI of PIM: Calculate the value of your next project

Find out how to calculate the ROI of a PIM solution

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The ROI of PIM: What you need to know

The Product Information Management (PIM) market continues to expand year after year. The compound annual growth rate (CAGR) of the PIM market is expected to grow at around 25.1% by 2027 from 2019[1],mainly due to the increasing number of businesses that are learning about the benefits of PIM and have started to adopt the technology. However, many companies still continue to rely on outdated software and inefficient processes. Acquiring a PIM is a significant business investment, and its implementation often disrupts organizations due to induced change management. As a result, it can be challenging to present the business case of PIM to stakeholders. This means that crafting a solid business case with ROI benefits is crucial for organizations that are considering a PIM solution.

A major component of calculating ROI of PIM is to first understand the qualitative and quantiative benefits the solution can bring to the business.

When considering a PIM solution, some key questions to consider are:

1. How much are we looking to improve our bottom line?
2. What kind of productivity gains do we expect?
3. How efficient do we need our operations to be?
4. How can I improve collaboration across different teams?
5. How will it impact the customer experience?
6. Can it improve market performance?
7. Will it aid in minimizing product returns?
8. How can I accelerate my products' time to market?
9. Will it help my brand strategy and messaging?
10. What kind of data quality improvements will I see?

Want to learn more about how to create an optimal PIM business case? check out: **PIM – Building the Business Case for Project Success**

Get the E-Book →

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Calculating the ROI of PIM

Computing for the ROI of any investment involves a simple equation:

$$ROI = \frac{\text{Benefit of the Investment - Cost of Investment}}{\text{Cost of Investment}}$$

A PIM vendor determines the cost of investment based on their solution, customer requirements and sometimes even the customer's initial project budget. In the latter case, the cost may increase or decrease after further scoping takes place. However, computing the benefit of the investment is more complex. It requires a more in-depth look at how a business operates before and after the PIM implementation.

Identifying the current state of the organization, as well as how consumers are interacting with the brand are all critical factors in determining the specific value a PIM provides to a business. All this information will then yield a measure of the total benefit of the investment.

One way of determining the benefit of the investment from a PIM is by taking a look at efficiency gains. Businesses should start by identifying the following:

- Number of fields managed
- Type of information that needs management (calculation, conversion, etc.)
- Number of languages supported (if information needs to be available across multiple languages globally)
- Number of channels
- Number of regions
- Steps involved from conception until the manufacturing of a product
- Other types of relevant information that need management (such as digital assets or meta-data)
- Cost of preparing data for a given channel to create a seamless omnichannel product experience
- Cost of yearly product data maintenance (such as adding, editing, translating or deleting)
- Costs allocated per employee involved in product data management
- Estimated time it takes to manage product data

Once this information is acquired, on a basic level, calculating the efficiency gains from a PIM involves the following step.

Step 1: Identify the number of fields to manage

Identifying the number of fields to manage requires knowing the number of Stock Keeping Units (SKUs) and multiplying it with the number of attributes per SKU:

Numbers of fields to manage = Number of SKUs * Number of attributes per SKU

This provides a baseline on the total number of attributes that must be handled across all SKUs. However, this number does not reflect the reality of everything that must be managed or how often.

Step 2: Determine how many fields need to be localized and managed

A more accurate metric takes languages used by global sites or partners into account, as well as the frequency of maintenance for all product data. For each language, determine the number of product data fields that will be impacted:

Field to localize and manage
= No. of SKUs * (Impacted fields per Language * (No. of additional languages -1))

Step 3: Calculate the total number of fields to manage

The number of fields to manage and the additional fields to localize must be added together to get the total number of fields managed.

Total number of fields managed
= Number of fields managed + Fields to localize and manage

Step 4: Determine the number of yearly SKU values to maintain

Every SKU is not updated yearly. The number of SKUs that have to be updated every year can be obtained by:

Yearly SKU values to update
= Total number of fields to manage * Yearly SKU updates (%)

Step 5: Identify operational costs

Now, to determine operational costs, the current cost of managing all product attributes must be calculated by using the following information:

- Hourly cost of employees that maintain and update values for all SKUs
- Number of attributes that can be updated per minute

These numbers can be used to measure the time required to update product attributes:

$$\text{Time to maintain SKUs} = \frac{\text{Yearly SKU values to update}}{(\text{Attributes updated per minute} * 60)}$$

If these metrics are difficult to obtain, you can use an estimate. According to an AT Kearney[2] study, an employee spends 25 minutes per SKU per year to manually cleanse out-of-sync product information.

After the time required to update product attributes is identified, multiply it with the cost to update values per hour to get the total annual cost to update.

Total Cost to Update

= Cost to update values (per hour) * Time required to update

Additional costs for consideration include the number of systems currently being used to manage all these attributes (run time, licenses, etc.)

The next step is to repeat the total cost to update computation, assuming a PIM system is already in place. Take into account how a PIM solution minimizes or eliminates repetitive tasks. For instance, a PIM reduces the time to update a product by 30%[3].

Once these calculations are complete, simply subtract the calculated Total Cost to Update with a PIM, from the original Total Cost to Update to get an estimate of efficiency gains from using a PIM.

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Efficiency Gains – Calculations at a Glance

Efficiency Gains Computation	Without PIM	With PIM
Identify the number of values to update		
Total number of fields to handle (estimate)	5,000,000	5,000,000
Identify the number of values to update	30%	30%
Total number of values to update	1,500,000	1,500,000
Identify the total cost of updating products		
Hourly salary of data managers ($)	$50.00	$50.00
Average number of edits done (minutes)	12	17
Required time to update (hourly)	2083	1471
Total cost of update ($)	**$104,167**	**$73,529**
Total efficiency gains		**$30,637**

While these numbers can demonstrate significant gains, it is important to remember there are additional efficiency gains from a PIM that can be included if they are known. For instance, time searching for information can be reduced as much as 2 hours a week per employee[3]. Furthermore, PIM solutions also provide value beyond efficiency gains, including gains from data quality alone, better decision-making, customer insight and experiences to name a few.

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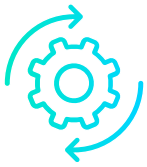
Essential Benefits of a PIM

As we discussed above, productivity improvement is only part of the value a PIM can provide to an organization. For example, for retailers, PIM solutions can maximize revenue in a variety of ways:



Higher e-commerce conversions

According to AT Kearney, online conversion rates can increase from 17% to 56% due to improved product information[3]. Furthermore, 69%[4] of prospective online shoppers rely on e-commerce features enabled by information managed or governed from a PIM solution.

Increased revenue from additional channels

86%[5] of consumers are willing to pay for a better customer experience. A PIM solution enables the delivery of a uniform buying experience across all channels, including mobile and desktop.

Decreased returns

22%[6] of product returns are due to inconsistent product information. A PIM promotes customer trust by ensuring they have access to accurate, rich and up-to-date product information, all the time.

Reduced cart abandonment

20%[7] of cart abandonment is due to incomplete or unclear product information. With PIM, vague or incomplete product information can be prevented as it is equipped with error and duplicate detection capabilities.

Furthermore, if the PIM solution you have chosen includes Digital Asset Management (DAM), this adds substantial benefits, as organizations without DAM can spend over $44,000 a year just trying to manage assets like images, videos and documents[8].

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The Benefit of Investment Calculation - at a Glance

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Efficiency Gains Computation	Without PIM	With PIM
E-commerce conversion improvement		20%
E-commerce revenue (yearly)		$10,0000,000
Profit with 20% contribution margin*		$60,000.0
Increased revenue from more channels		$500,000
Profit with average net profit margin (3%)		$15,000.00
Revenue lost to returns**	$3,000,000	$2,340,000
Profit with average net profit margin (3%)		$19,800.0
Revenue lost to cart abandonment***	$23,333,333	$18,666,667
Profit with average net profit margin (3%)		$140,000.0
Efficiency Gains		$30,637.0
Increased revenue with PIM		$234,800.0
Total efficiency gains		**$265,437**

* Margin for retailers at 3%. Other industry margins can be found **here**.
** About 30% of products bought online are returned.
*** Cart abandonment rate is about 70%

Since PIM solutions are typically significant investments over investment periods, the total benefit of investment can then be projected over a number of years before a final ROI calculation is performed.

Beyond Revenue and Productivity

There are a lot of ways for a company to boost its revenue further, e.g., promotions and discounts, engaging ads and online presence, and an effective marketing strategy. However, some PIM benefits in this regard can be rather challenging to quantify. For instance, a PIM:

Accelerates time-to-market

With competition getting more stringent each year, companies must launch products faster, get to consumers first and extend their selling days. A PIM helps eliminate silos and manual processes that cause product data inaccuracies and inconsistencies. For instance, a well-known apparel brand manufacturer was able to reduce time-to-market from months to weeks. With a PIM, companies can easily translate, localize and publish consistent product information across channels, dramatically reducing time-to-market.

Enables exceptional product experiences

Enticing consumers to explore, engage and convert requires rich product content. It must consist of attention-grabbing visuals, along with accurate and complete product information. Failure to provide accurate product information ultimately results in lost revenue and decreased customer loyalty:

- Online shoppers often leave a website in 10-20 seconds, and so it's a must to engage them during the first ten seconds[9]
- 57% of consumers cite "lack of information about the product" as the primary reason to abandon an online purchase[10]

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Case studies

Finally, a PIM ROI computation can also be supported by real-world samples or case studies of successful PIM implementations. Learn how some leading brands gained impressive results from their PIM investments.

Zijerveld, an established supplier, wholesaler and retailer of assorted local and international cheeses, used their PIM solution to:

- Centralize their manually managed and usually error-prone data.
- Comply with GS1 syndication standards and meet additional requirements by retailers and supermarkets alike.
- Manage digital assets such as videos, images, and smart documents.
- Ensure maximum data quality checks for compliance.

Lacoste, a world-renowned fashion brand was able to leverage PIM to:

- Boost its online and in-store marketing processes and accelerate its time-to-market.
- Become present on all channels, serving unique shopping experiences to its consumers.
- Reduce the time it takes to market a product from months to weeks.

Intersport, a world-leading sporting goods retailer used PIM to achieve:

- Expanded its e-commerce presence to counter competitors such as Amazon and Zalando while maintaining a good relationship with said brands.
- Automated their data importing processes with the least business disruption possible.
- Established a strong e-commerce presence while easing the burden of managing complex product data from multiple and disparate systems.

Choosing the right PIM vendor is vital to avoid unnecessary costs and other risks.

Learn how here →

Implementing a solution is never easy but it can be simple with the help of an implementation partner.

Learn how here →

References

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About Contentserv

Contentserv helps brands and retailers offer customized and highly converting product experiences that delight customers, improve time to value and boost ROI.

Learn more at www.contentserv.com