**Payback Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Costs** | **Cumulative Costs** | **Benefits** | **Cumulative Benefits** |
| 0 | 30,000 | 30,000 | 3,500 | 3,500 |
| 1 | 10,000 | 40,000 | 15,000 | 18,500 |
| 2 | 11,100 | 51,100 | 21,000 | 39,500 |
| 3 | 12,200 | 63,300 | 28,000 | 67,500 |
| 4 | 12,800 | 76,100 | 32,000 | 99,500 |
| 5 | 14,300 | 90,400 | 40,500 | 140,000 |
| 6 | 15,000 | 105,400 | 45,600 | 185,600 |
| 7 | 15,400 | 120,800 | 51,200 | 236,800 |
| 8 | 16,200 | 137,000 | 57,000 | 293,800 |
| 9 | 16,500 | 153,500 | 65,000 | 358,800 |

**Payback Analysis on Graph**

**Explanation**

The rough estimation of the development of CRM system is $30,000— therefore, the cost of the system is same for the year 0; which is described to be the year when the system is developed. The cost of the system doesn’t stop there, it needs to go through annual checkup and upgrade if something needs changes. After year 0 the actual benefit starts to grow and after some time, the total benefit surpasses the total expenses for the system, hence the time needed for a system to pay the total cost of itself is **payback period.** In the payback analysis chart above, the payback period is near to year 3. If we look over the analysis table, in year 3 the cumulative cost of the system reaches $63,300 whereas the cumulative benefit has already reached $67,500. Thus, before the beginning of the fourth year of the system, the total benefit yielded by the system surpasses the total cost of itself. After that period, the benefits keep growing constantly for certain time. After a certain time, the system’s economically useful life will be over and then the cost of maintaining the system will start to increase and benefit will decrease. This is where the system will need a massive upgrade or a whole new system will be needed.

Hence, from the analysis we can say the total estimated cost of the system is $63,300 which is covered within 3rd year of the system development.