Computer Consulting

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The ROI FAQ

The Return on Investment Formula tells you how much money you've made on an investment. The end result of the formula is expressed as a percentage. If you double your money, your ROI is 100%. If you break even, your ROI is 0%.

Download the ROI Workbook below

For example, a company may use ROI to evaluate the results of an advertising campaign, to see how well that campaign paid off. Also, if that company is running multiple ads, they can use ROI to directly compare the results of their ads against the one another.

Video: How to calculate ROI (with examples)

How to Calculate ROI

Download the ROI Workbook

Right-click to [download the ROI Workbook](#). The workbook includes the slides used in the video, above, as well as a complete transcript.

What is the formula for ROI?

ROI = Net Profit divided by Investment x 100. The two minute video, above, explains the formula in depth and includes easy to follow, real world examples.

How do I calculate ROI in Excel?

This is a simple example for Excel. Copy the following into Excel, starting in the upper-left-hand corner (cell A1).

Investment	100	
Sale Price	150	
ROI	=(B2-B1)/B2*100	%

How does ROI apply to marketing?

In marketing, the results of the ROI formula becomes a "metric", or a criterion.

As a metric, you can compare the your return on two or more ads to see which ad is working better.

As a criterion, you might set a minimally acceptable value for ROI before performing any sort of evaluation or projection of your marketing results.

How does ROI apply to IT?

The answer to this question is actually a warning. The ROI formula requires two numbers: investment and profit. Without these numbers, any representation using ROI is probably being used to mislead or misinform.

An accurate measure to use when comparing computer systems is called TCO, or Total Cost of Ownership.

As a buyer, it is very important that you look at where the salesperson got their numbers. A system that appears to be less expensive up front can end up costing significantly more as that system is setup and customized for your business. For

example, open source software may require significantly more programming and modification than its purchase-able counterpart.

How do I use ROI for Social Media?

The situation here is the same as above.

If you have actual numbers you can calculate your return on investment. For example, setting up a test and running an ad.

If the numbers you have come from your personal investment in time, or the amount of website traffic , newsletter subscriptions, etc., you cannot calculate ROI.

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