How to Use 'ROI Score' to Prioritize Your Requirements in a Systematic Fashion

I. Problem

If your organization is like most, feature requests and requirements come to you and your team from many different sources. From customers, prospective customers, your sales and support teams, executives, partners, and more.

The product manager—or a related position—then prioritizes these requirements and creates a Requirements Document such as MRD (Market Requirements Document) or PRD (Product Requirements Document). This document is used to guide product development.

Most often the *prioritization of requirements is done using ad-hoc methods and judgment calls—rather than a well-defined, systematic methodology*. This leads to one or more of the following issues:

- Inconsistent prioritization—as each product manager uses his/her own criteria.
- Incorrect prioritization—as judgment calls are prone to errors.
- Difficulties in communicating the rationale for prioritization to other teams, such as Engineering & Sales.

II. Solution

We propose that requirements should be prioritized based on the key benefits they produce for your organization. These include both financial & nonfinancial benefits.

We introduce a metric called "*ROI Score*" which quantifies:

- *Benefits* of implementing each requirement, and
- *Investment* needed to implement that requirement into a "Return on Investment" (ROI) score.

Once you calculate "ROI Score" for your requirements, you can then use this metric to prioritize your requirements for a given release or project in a *systematic and repeatable* fashion. Now we will propose practical steps to do so.

III. Practical Steps to Prioritize Your Requirements Using "ROI Scores":

These 3 easy steps will help you calculate and use "ROI Scores" to prioritize your requirements:

1. Define formula to calculate "ROI Score."

2. Enter data to calculate "ROI Scores" for your requirements.
3. Prioritize your requirements based on "ROI Scores."

Step-1: Define formula to calculate "ROI Score"

A. Create a *list of all the major benefits* to your organization that implementing new requirements and features can produce. Examples include:

    i. Build customer loyalty

    ii. Create competitive advantage

    iii. Further business strategy

    iv. …

    v. And, of course, financial benefits: Increase revenue & profits

B. Give each of these benefits an *appropriate weighting*.

C. Calculate *Total Return Score* as a weighted sum of these criteria—using values defined in "A" and "B" above.

D. *ROI Score* is calculated using the following formula, where "Investment Score" is a measure of the investment needed to implement a given requirement.

$$\text{ROI Score} = \frac{\text{Total Return Score}}{\text{Investment Score}}$$

You can implement this using spreadsheet software such as Microsoft Excel.

Benefit 1	Benefit 2	…	Benefit N	Total Return Score	Investment Score	ROI Score

Accompa, our on-demand requirements management software enables you to easily define and implement a custom formula to calculate 'ROI Scores' for your requirements.

Step-2: Enter data to calculate "ROI Scores" for your requirements

Once you have defined the formula as defined in Step-1 above, you can then enter the data needed to calculate "ROI Score" for each requirement. For each desired requirement enter the following data:

- For each requirement under consideration, assign a value to each benefit defined in Step-1 above. For example, you may use

a scale of 1-10, with "10" signifying the best score.

- For each requirement under consideration, assign a value to "Investment Score". For example, you may use a scale of 1-10, with "10" signifying the highest investment.

You can implement this using spreadsheet software such as Microsoft Excel.

	Benefit 1	Benefit 2	Benefit N	Total Return Score	Investment Score	ROI Score
Requirement	8	7	6	210	2	105
Requirement 2	6	10	9	250	5	50
Requirement 3	…	…	…	…	…	…
Requirement 4	…	…	…	…	…	…
…						
Requirement M	…	…	…	…	…	…

Accompa, our on-demand requirements management software enables you to do this using an intuitive interface.

Step-3: Prioritize your requirements based on "ROI Scores"

Once you calculate "ROI Scores" for your requirements using the steps outlined above, you can then use these to prioritize your requirements for a given release or project.

We hope you find the methodology outlined in this white paper helpful in prioritizing your requirements in a systematic and repeatable fashion.

Thank you for taking the time to read this white paper. If you're interested in implementing a systematic prioritization methodology based on "ROI Scores" using our on-demand software, we invite you to get our 30-day FREE trial. We wish you outstanding products and continued success!

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About Accompa

More than 100 companies of all sizes (from Fortune-500s to startups) use Accompa to gather, track, and manage requirements while saving time & increasing productivity. Accompa is 100% cloud-based and is easy to deploy and use. Now you can achieve powerful real-time collaboration across your internal teams, as well as with your customers. Get started — see links below...

Our mission: *To help you build more successful products more efficiently* by enabling you to continuously improve every part of your requirements management process.

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