



How to Calculate the ROI of Contract Management Software



Trying to accurately calculate the ROI of contract management software isn't always straightforward. Here's a helpful way to calculate ROI in terms of revenue, expenses, and time. Plus, learn how to find your "magic ROI number."

Audit customer contracts

Check your customer contracts for revenue at risk:

- How many customer contracts do you have?
- How many customers are set to automatically renew without intervention from your team?
- What is the average upsell or renewal increase with intervention from your team?

Example



500

Number of customer contracts your company has



200

Number of customers set to automatically renew

\$2,000

Average renewal upsell per customer contract



200 auto-renew customers x \$2,000 average upsell = \$400,000
in potential missed revenue if customers auto-renew without the chance to upgrade

Audit vendor contracts

Use a contract audit to understand your vendor contracts and automatic renewals:

- How many vendor contracts do you have?
- How many are set to automatically renew?
- What's the average renewal increase?

Example



50

Number of vendor contracts



10

Number of vendor contracts set to automatically renew

\$2,500

The average renewal increase per contract



10 auto-renew contracts x \$2,500 average increase = \$25,000
in vendor agreement expenses that may not have been meant to automatically renew

Calculate time saved

Illustrate the number of hours a contract management solution will save your team when searching for specific terms or clauses in your contracts each month to stay on top of liabilities and opportunities.

C (number of contracts) × **M** (minutes it takes to manually read a contract to locate a key legal term) × **T** (number of terms you're looking for every month) ÷ by **60 minutes** in an hour.

Example

(10,000 contracts × 3 minutes × 5 terms) ÷ 60 = 2,500 hours
that could be saved with a contract management solution



Calculate your magic ROI number

Subscription price ÷ typical paralegal rate = your magic number of hours saved each month to justify a contract management solution.

A contract management solution usually charges a subscription price to manage your contracts. We'll use **\$75,000** as an example.

If you use an outside law firm to review your documents, you'll be charged a paralegal hourly rate. We'll use **\$150 per hour** as an example.

Example

\$75,000 subscription ÷ **\$150** paralegal rate = **a magic number of 500 hours** that must be saved each month to justify the contract management solution.

If the hours of time saved calculated in the example above is greater than your magic number, you can clearly justify a contract management solution.

2,500 hours > 500 hours (5x!)

