Next to estimating costs, looking at potential benefits is the second fundamental aspect of any investment decision-making process. While costs bring down the business case, benefits support the suggested investments. As simple as this may sound, identifying, evaluating, and estimating business benefits are three challenging tasks. In the business case process, they are perceived by many as akin to predicting the future by looking into a crystal ball. Getting only one of these tasks wrong can lead to financial disaster. Not knowing what benefits to expect is a sure-fire way for the investment not to deliver any benefits at all. And what is worse, this disaster will not be immediately visible; instead, it will hide beneath the surface. It is only long after the investment has been commissioned and when management suddenly begins to notice that benefits are not being reaped according to the forecast that people begin to question the original business case again.

Not so long ago, during the dot-com boom in the late 1990s, companies rushed to implement some innovative IT system in order to block competition, increase market share, and secure their space in the e-commerce economy. It was all about business integration and a networked economy. Benefits were deemed to be certain to be enjoyed somewhere down the road. Needless to say, some of these benefits were elusive at best and not quite as low-hanging as initially suggested. Today, companies are more serious about using investments for competitive advantage and
they are most serious about determining the business impact of an investment.

To find an appropriate measure of the business impact that an investment can deliver, it is first and foremost important to understand the different types of benefits to look out for and second to have credible methods at hand which help to identify, evaluate, and estimate their business impact.

4.1 BENEFIT TAXONOMY

Feature vs. benefit

In the heat of the benefit identification process, many business managers tend to confuse features with benefits. This mix-up is even more pronounced with sales people, who are trying to “help” their clients with their purchase decisions by highlighting a product’s (or service’s) benefits in a flamboyant way. More often than not, they fall short of describing business impact and produce nothing but an endless list of features. Chapter 10 is all about how a business case can be used in sales and can help to speed up buying decisions.

There is a clear distinction between features and benefits. While a feature only represents an element of functionality within the context of a change, a benefit is a much bigger thing and relates to the business outcome of the change.

For example, the introduction of cross-selling propositions “frequently bought together” and “other customers who have bought this item also bought” to e-commerce websites such as Amazon, per se, is a feature; however, if one of the business goals of Amazon is to drive up sales and thereby increase revenue, and if this e-commerce feature on the website actually generates cross-sales which would not have taken place otherwise, then the features become a benefit with a business outcome. On the other hand, if customers do not click on the other books or if such clicks do not result in sales, the cross-selling suggestions remain