Συνολικό κόστος κτήσης (TCO) για ΠΣ ERP

ΜΑΘΗΜΑ: ΠΛΗΡΟΦΟΡΙΑΚΑ ΣΥΣΤΗΜΑΤΑ ΔΙΟΙΚΗΣΗΣ ΚΑΙ ΕΠΙΧΕΙΡΗΣΙΑΚΩΝ ΠΟΡΩΝ
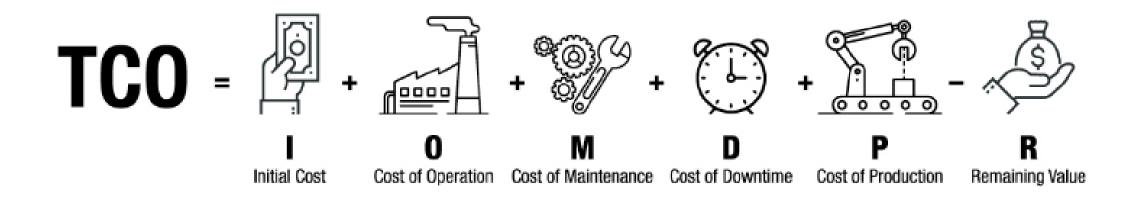
ΔΙΔΑΣΚΩΝ: ΔΡ. Δ. ΣΤΑΜΟΥΛΗΣ

For IT, TCO includes hardware and software acquisition, management and support, communications, end-user expenses and the opportunity cost of downtime, training and other productivity losses

GARTNER GROUP

Συνολικό κόστος κτήσης
(total cost of ownership)

TCO = I + O + M + D + P - R

I — Initial Cost
O — Cost of Operation
M — Cost of Maintenance
D — Cost of Downtime
P — Cost of Production
R — Remaining Value

ERP TCO

Up-front cost for hardware, software and implementation, support and maintenance costs.

Gartner:

- the initial license and implementation costs of an ERP system = only 15% of the total TCO

- ongoing operational costs accounting for 85%.

Most ERP system vendors charge an annual maintenance fee, approx. 15 – 20% of the whole purchase price. This is a positive thing, as it ensures the continuous product support, bug fix services, system updates etc.

Direct and indirect costs

Direct costs are those that can be directly attributed to the ERP system, such as licensing fees, professional services for software installation and customization, hardware installation and maintenance, and training and support for the users. These costs are easy to quantify and estimate, and they are typically incurred during the implementation and initial deployment phases.

Indirect costs, on the other hand, are less tangible and more difficult to measure, but they can have a significant impact on the TCO. Examples of indirect costs include lost productivity during the learning phase, process redesign and reengineering, data migration and integration, ongoing maintenance and upgrades, and the additional IT infrastructure required to support the ERP system.

ERP TCO elements

System hardware and software costs

Server hardware and software costs

Workstation hardware and software costs

Installation and integration costs

Data migration costs

Risk management costs

Infrastructure enhancement costs

Power costs

ERP TCO elements

Quality assurance/testing costs

Downtime and outage costs

Reduced productivity costs

Security risks

Backup systems and recovery costs

User training costs

Process audit costs

Process re-engineering costs

Insurance costs

ERP TCO elements

Special personnel costs

Project management costs

Future upgrade costs

Legacy system take-down costs

Data migration

- the core component of ERP implementation.

- upgrade from version to version of the same ERP system, handle data conversion carefully.

- make sure proper executives take ownership of their data.

- test at every process level – to ensure the integrity of the data.

As example, making a sales order will be impossible when the table of addresses cannot be read.

ERP Total Cost of Ownership Elements

Project management costs   **Infrastructure enhancement**

Special personnel costs **Training and user adoption**

Data migration costs **Process auditing costs**

Security risks Insurance costs Legacy platform take-down

Process re-engineering costs

Networking hardware and software costs

Server hardware and software costs Risk management

Backup systems and recovery **Power costs**

Quality assurance and testing

Reduced productivity costs Downtime and outage costs

Installation and integration

Types of costs

Risk management costs should cover potential vulnerabilities, upgrade availability, future license management etc.

Reduced productivity costs deal with user adoption time period, decreased money-making ability.

Security issues include potential breaches, loss of brand reputation, recovery and future prevention matters.

Maintenance fees are considered at 15 – 25% of the licensing costs. Among the main reasons why companies pay these fees is, actually, to get updates to products. Maintenance is usually calculated at 12 cents of every $1 spent. In this regard, how are support services different, one may ask? Implementing the ERP system requires both technical and project management skills of high level.
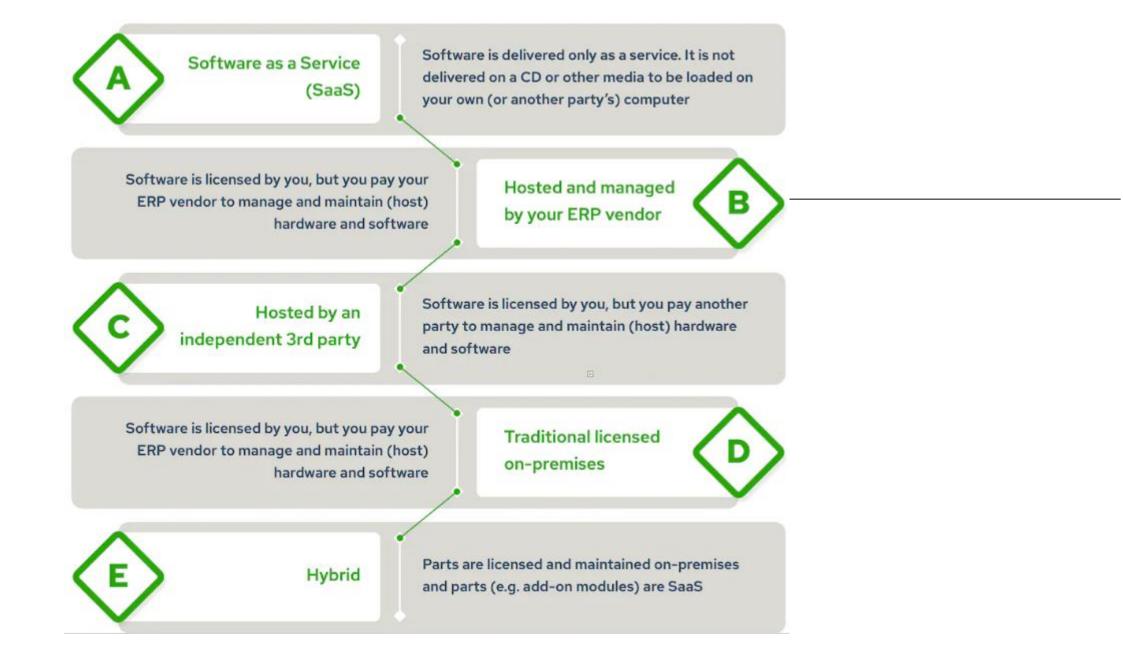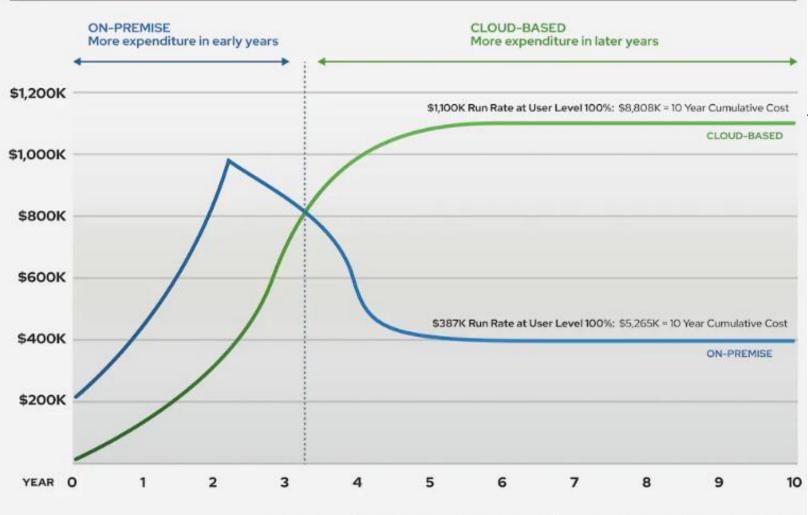
Watch the video

[How Much Does a New ERP Cost? Part One: TCO (inteltech.com)](inteltech.com)

A Software as a Service (SaaS)

Software is delivered only as a service. It is not delivered on a CD or other media to be loaded on your own (or another party's) computer

Software is licensed by you, but you pay your ERP vendor to manage and maintain (host) hardware and software

B Hosted and managed by your ERP vendor

C Hosted by an independent 3rd party

Software is licensed by you, but you pay another party to manage and maintain (host) hardware and software

Software is licensed by you, but you pay your ERP vendor to manage and maintain (host) hardware and software

D Traditional licensed on-premises

E Hybrid

Parts are licensed and maintained on-premises and parts (e.g. add-on modules) are SaaS

Cloud vs. On-Premise ERP Costs Over Ten Years

TOP10ERP.ORG

ON-PREMISE
More expenditure in early years

CLOUD-BASED
More expenditure in later years

$1,100K Run Rate at User Level 100%: $8,808K = 10 Year Cumulative Cost

CLOUD-BASED

$387K Run Rate at User Level 100%: $5,265K = 10 Year Cumulative Cost

ON-PREMISE

$1,200K		
$1,000K		
$800K		
$600K		
$400K		
$200K		

YEAR 0   1   2   3   4   5   6   7   8   9   10

SOURCE: Fisher, C. (2018) Cloud versus On-Premise Computing. American Journal of Industrial and Business Management

https://www.top10erp.org/erp-software-comparison/best-fit/

Evolution over time: Legacy vs SaaS Total Cost of Ownership

TCO over 5 years