

ERP TCO & ROI

The CitySoft logo features the word "CitySoft" in a white, italicized sans-serif font. A small orange circle is positioned above the dot of the "i" in "City". The text has a subtle drop shadow effect.

TOTAL COST OF OWNERSHIP

TCO is the total cost of owning a particular item over some time horizon and includes both the acquisition cost and the total cost per year.

Companies who rely entirely on TCO end up following a strategy that minimizes expenditures rather than maximizing the return for the company. • (Nucleus Research 2007)



ERP Investment timelines

Quality mid-market ERP
TCO calculations should be
based on ten years
minimum especially when
there is

- Continued vendor product investment
- System scalability
- Product configurability
- Product extensibility



TCO Completely ignores benefits

The Holy Grail for IT is not minimizing the cost of technology but maximizing the benefits from it.

(Nucleus Research 2007)

Technology can have a dramatic impact on the bottom line and TCO only ensures you purchase the cheapest solution, not the best.

Companies should be focused on choosing the application that provides the greatest return for the company.



Modern ERP Benefits

- Increased Employee Productivity
- Manager Productivity
- Reduced Customer Churn
- Reduced Hardware & Software cost
- Reduced Accounting & Audit costs
- Reduced Inventory
- Reduction in working capital demands
- Increased profits
- Increased Return On Capital Employed

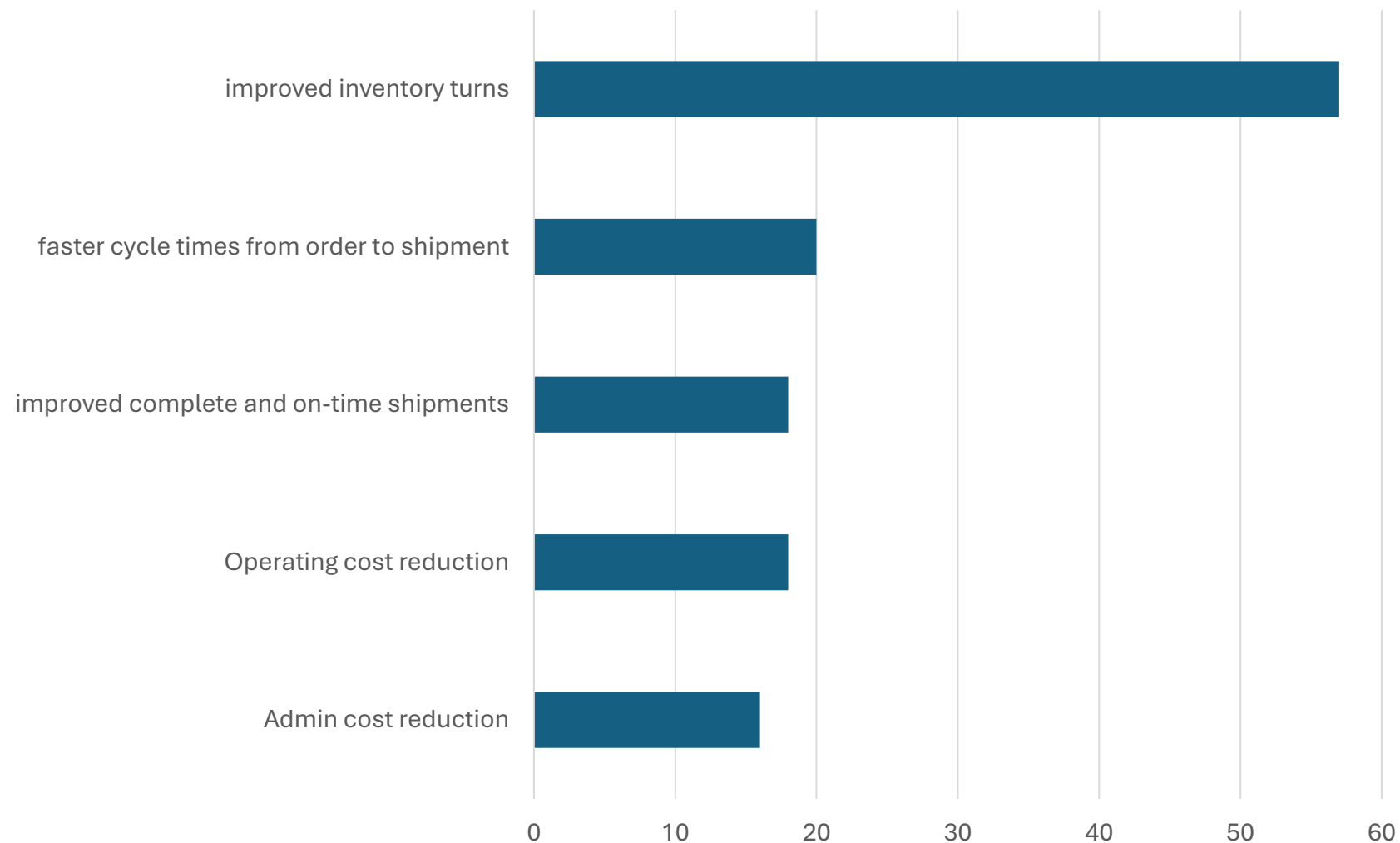




Benefits of a modern ERP
System



Sage X3 ERP infographic

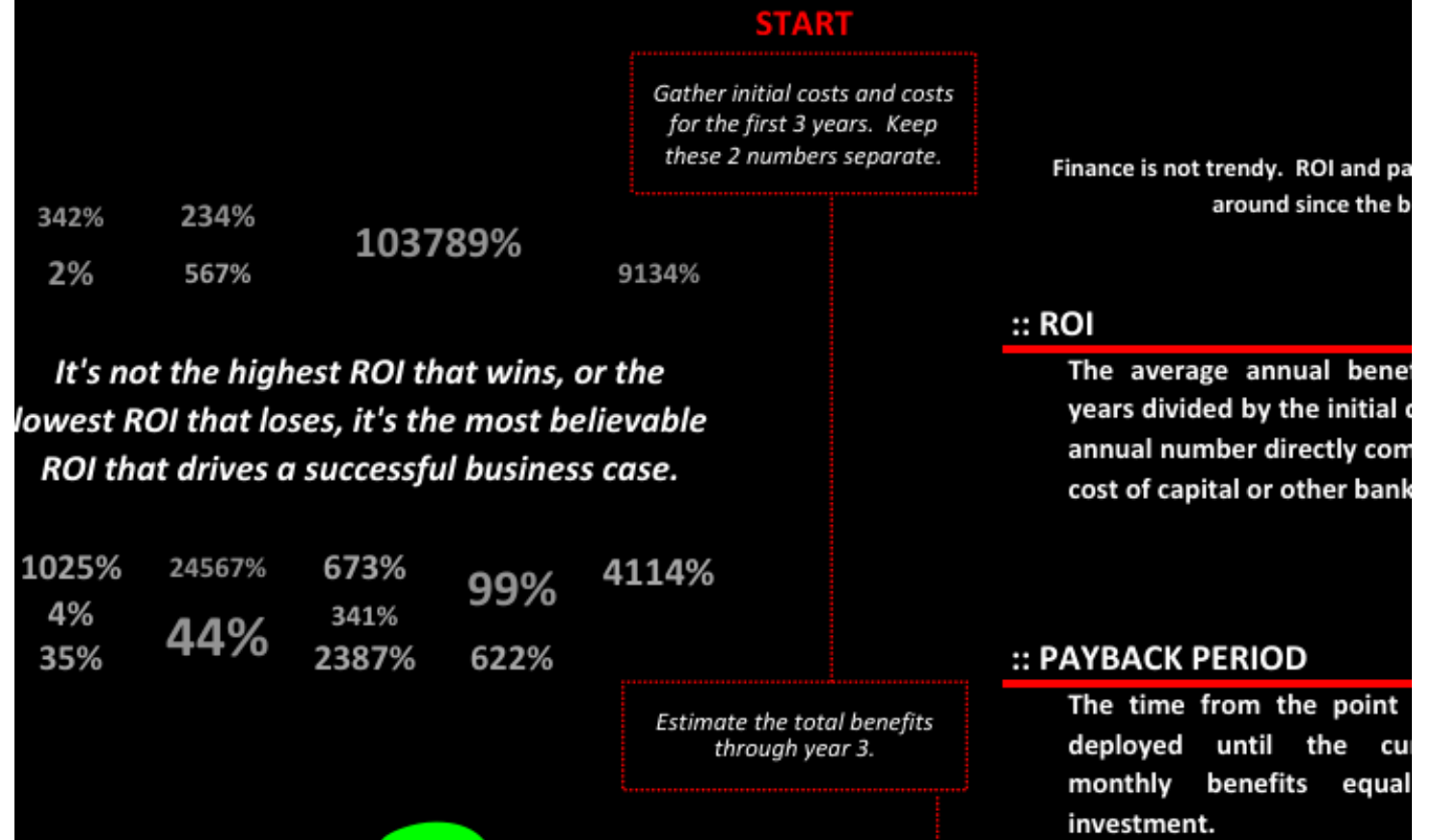


% change

ROI Credibility

“It's not the highest ROI that wins, or the lowest ROI that loses, it's the most believable ROI that drives a successful business case”.

Building a financial business case



RETURN ON INVESTMENT (ROI)



REPEATABILITY & BREADTH

Help a lot of people many times,
and you increase the likelihood
that you'll receive a positive
return from your technology
investment.



ROI

- Estimate your payback period
- Calculate a worst-case ROI
- Calculate a worst-case payback period (Nucleus Research 2007)



PAYBACK PERIOD - The time from the point the project is deployed until the cumulative net monthly benefits equal the initial investment.

BENEFITS

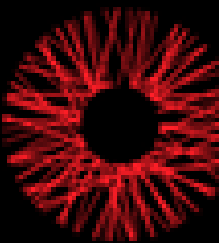
Indirect
benefits

Typically make up more than 50% of the benefits and include productivity gains and expectations of future profit.



Direct benefits include immediate reductions in costs or increases in profit.

Direct benefits usually make up less than 50% of the total project benefits.



NUCLEUS
RESEARCH

NucleusResearch.com



The team at CitySoft can provide you with information and advice that helps you build a business case for the acquisition of a new ERP system.

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