7 Simple Steps for Estimating the Cost of an ERP Project

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Introduction

It's no secret that organisations find it tricky to budget for IT projects. Between integrations, licences, data migration and non-core functionality, where are you supposed to begin?

The good news is that determining the cost of an ERP project doesn't have to be difficult. While it's best to speak with your vendor for an accurate pricing estimate, you can work out a ballpark figure by following the seven simple steps below.

1. FIND OUT THE SOFTWARE LIST PRICE

The fastest way to determine the cost of an ERP project is to double the software list price. For example, if your software list price is $15,000 before discounts, you should budget a minimum of $15,000 for services.

This budget is usually enough to cover basic ERP projects with core functionality (i.e. general ledger, accounts payable, accounts receivable, bank reconciliation and invoicing). You may need to increase your services budget for more complex implementations.

2. WORK OUT HOW MANY LICENCES YOU NEED

Licence costs may be affected by whether you choose perpetual or subscription licences. Perpetual licences usually require a higher upfront payment, while subscription licences allow you to spread the cost out over time.

Licence costs will also depend on:
- How many full and light user licences you need – full licences provide greater functionality but are more expensive.

- Whether licences are priced by concurrent users or named users – concurrent users are usually more cost effective.

3. DETERMINE YOUR INTERNAL CAPACITY

Do you have extra resources that can assist with implementation? If you're willing to do some of the heavy lifting internally, you can reduce the number of consultant hours and significantly reduce your services cost. Time-consuming tasks like data entry are a great place to start.

4. LIST CUSTOMISATION AND SOFTWARE RECONFIGURATION REQUIREMENTS

An out-of-the-box ERP solution is almost always cheaper than a customised version. If your budget is smaller than you'd like, it may be smarter to change your processes to suit the software, rather than investing in expensive customisations. In the right scenarios, a flexible approach could save your organisation thousands of dollars.

This also applies to customising reports and forms. We advise clients to use as many out-of-the-box reports as possible, which will save paying your vendor to set them up for you.

5. CONSIDER NON-CORE FUNCTIONALITY

You will need to increase your services budget if you have complex distribution processes, or need inventory and supply chain management capabilities.

We recommend budgeting at least twice the software list price for non-core functionality. So if the software list price is $15,000 before discounts, you should allow $30,000 for services. The total project cost would be $45,000.

6. IDENTIFY YOUR DATA CONVERSION AND MIGRATION NEEDS

How much data needs to be brought across to the new system? Do you need the vendor to do this for you, or can you complete the work internally? Some clients find that rather than migrating everything to the new system, it can be cheaper to only bring across the most frequently accessed data. Historical data then stays on the old system, which remains active for several months after the new ERP system goes live.

7. DISCUSS YOUR TRAINING REQUIREMENTS

The amount of training you need will depend on your internal experience and willingness to learn. Most ERP projects will include a set amount of training, but you may need to pay for additional sessions if you have a large number of inexperienced users, or if employees are resistant to change. To save on training costs, consider providing training to a handful of power users who can then distribute their knowledge with their teams.

NEXT STEPS

If you're ready to start your ERP journey, call Professional Advantage today on 1800 126 499.

Our expert consultants are ready to help you:

- Develop an accurate cost estimate based on your organisation's specific needs
- Explore ways to reduce services costs without compromising deliverables
- Ensure you get maximum value from your ERP solution.

For more information

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About Professional Advantage

Professional Advantage is one of Australia's most awarded solution providers, with over 25 years experience in helping organisations improve their business systems through industry leading software solutions. Our 250-strong team in 6 offices across Australia and internationally has successfully worked with over 1000 organisations.

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