



Total Cost of Ownership

**A Study of the Actual Cost of
Acquiring an Enterprise Solution**

Vorex White Paper

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Executive Summary

This white paper educates company executives on the full actual cost of implementing a new enterprise solution, or replacing an existing one. The decision to purchase a new solution usually stems from the need to integrate different processes within an organization, outgrowing an existing system, frustration with the complexity of the existing system, sub par vendor support, or the costliness of upgrades and maintenance fees.

The market is full of options from enterprise software vendors. Choosing the right one is not an easy task. When selecting a vendor, three main questions must be answered. One, what is the true cost of the solution? Two, what are the benefits of the solution to the organization? And three, how flexible and scalable is the solution?

This paper addresses the first question, the true cost of the solution. It breaks down the major components of the actual cost of owning an enterprise solution to give executives solid insights into how to evaluate a solution Total Cost of Ownership (TCO). This paper also discusses how Vorex addresses each element of cost that should factor into your decision-making process.

Introduction

It is common practice for organizations to focus on initial software licensing fees to project the cost of acquiring and implementing an enterprise solution. However, this approach does not even remotely represent the actual Total Cost of Ownership (TCO). Focusing on licensing fees often results in unforeseen, costly financial surprises.

To calculate a software solution's true TCO, an executive must consider several, often unnoticed, factors before signing a licensing agreement with a vendor. Assessing TCO typically entails calculating licensing fees, implementation, training, data migration, integration, maintenance and support costs.

Vorex offers one of the lowest licensing fees on the market for its enterprise solutions, partly because we have a special committee specifically tasked with researching every element impacting the TCO of our solutions. Throughout our product development, this committee makes recommendations to ensure that every new product release is designed to keep TCO at the lowest level possible.

Total Cost of Ownership (TCO)

1. Software Licensing Fees

Vorex's competitors offer deep discounts on their licensing fee to match our prices. Be forewarned that they do so because they plan to make up the difference - or even more - from subsequent implementation, upgrade and maintenance fees. Software licensing is only a small part of other vendors' profit margins, so they are more than willing to offer enticing discounts. Understanding the true TCO of a vendor's solution requires far more sophistication and knowledge. Resist the allure of simple initial discounts.

2. Implementation

The implementation phase is when most organizations begin to grasp the actual TCO of other vendor solutions. As implementation commences, big invoices from your software vendor suddenly appear. Many on-site enterprise solutions require significant time and effort to install. Tasks ranging from setting up your servers to installing the new application at each desktop are labor intensive. And, if your existing hardware or software is not fully compatible with your new solution, you can expect significant fees to upgrade. These costs are above and beyond what you initially paid to purchase the solution – and come out of your pocket. Be sure to carefully analyze the numerous costs associated with the implementation of any software solution you consider.

Vorex solutions are web-based, meaning that your entire application runs off a single source that we manage for you. All you need to do to run our enterprise solution is to have access to a basic Internet browser. With Vorex's solutions, there is nothing to install on your organization's desktops, and no new servers to buy or maintain at your site. Selecting Vorex's web-based on-demand solution can trim your implementation time and costs by 55% compared to other similar on-site enterprise solutions.

3. Training

Implementing a new enterprise solution requires extensive training for the employees who will manage or use the new system. Evaluating the true cost of training is two fold; first determine the amount the vendor will charge you for training; second, calculate how much productivity will decline while your employees are attending training sessions.

It is common knowledge that any powerful and diverse enterprise solution will require training. However, the difference in training time and associated costs

required to train your staff on a complex application versus one that is easy to use can be sizable.

The training necessary to use Vorex is minimal, due to the simple reason that the entire application has been designed with simplicity for users in mind. The format of screens, placement of buttons, and the workflow reflects a familiar, common sense theme. In most cases, the basic training offered by Vorex - free of charge to clients - is sufficient to learn the system. This reduces your training costs to zero.

4. Data Migration

It is very common for businesses to seek a replacement to their existing software solution. Common reasons for such a decision include outgrowing the functionality of an existing solution, the limitations of the current system, complexity of use, poor customer support, or costly upgrade and maintenance fees. One of the biggest challenges that business face when implementing a new solution is how to migrate existing data from the legacy system to the new one. Data migration can be a time-consuming, cumbersome and costly process.

Vorex's enterprise packages come complete with a set of flexible and intelligent utilities that significantly simplify the data migration process. Our web-based utilities allow for the direct mapping of your existing data fields into Vorex's tables. Once mapped, the utility will automatically begin the migration process. During migration, reports detail any potential issues that might require human intervention. This ensures the integrity and accuracy of your data and eliminates the risk of data loss.

Vorex's data migration utilities can reduce the cost of the data migration process for companies by over 32% as compared to other common methods.

5. Integration

5.1. Integration with Existing Systems

The cost of integrating a new solution with your organization's existing software system is another area executives should carefully analyze. If you are satisfied with your current business applications, and plan to continue using them, introducing another solution to automate or replace certain organizational processes means that your incumbent and new systems must be able to 'talk to each other.' Upon installation, most software simply is not good at integrating and working with another, disparate system. This means you will have to engage your IT staff, or more likely pay your vendor's consultants, to build customized 'communication bridges' between your two systems to enable them to share and pass data. In certain scenarios, you may run into rigid systems that simply do not offer a reasonable means of passing data back and forth. Such 'closed ended' systems have the potential to bring your integration efforts to a standstill, add to your costs, or put you in a bind with no easy, affordable exit strategy.

In reality many systems on the market are 'closed ended' and require significant customization to render them capable of 'speaking' with your incumbent system. That's why Vorex's architecture has been purposefully designed with 'open gates,' via which an application can be configured to easily hand off data to any other outside application.

5.2. Integration within the Components of the New System

Many software vendors have grown in size over the years by acquiring smaller vendors. Naturally, not all of the acquired firms use the same technology and code architecture as their new parent company. This leads to significant and costly problems that are often resolved at the end-user client's expense.

For example, clients might have to pay for the vendor's consultants to ensure full compatibility between their own modules. Another, even more costly example, occurs if you decide to upgrade a specific module to a new release that offers useful new functionality. It is likely that you will have to pay to upgrade all of your other modules as well to ensure they will work with the new release.

Vorex eliminates the costs related to integrating systems because our solutions are based on a single code methodology and single Microsoft technology. This ensures 100% compatibility within all of our modules, which saves you money.

6. Maintenance and Support

Costs for maintenance and support can spiral out of control due to two factors:

6.1. Factor One: Software Complexity

Complex solutions require your employees to spend more time on the phone with your vendor's support team. This translates to frustration, not to mention additional expenses and lost productivity.

Vorex solutions are well known in the industry for their ease of use and intuitiveness. Other vendors will attempt to impress you with a variety of attractive user screens and buttons that perform functions irrelevant to running your business. Vorex separates the screens that provide the common day-to-day functions your employees need from the 'power user' screens that are helpful, but less utilized daily by your system administrators.

Through simplification, Vorex gives you the tools and functionality you need to manage your business efficiently, without distractions or additional costs. After your staff completes Vorex's initial basic training program, we are confident your need for support calls will decrease at least 45% compared to your legacy system.

6.2. Factor Two: Onsite Maintenance and Upgrades

Virtually every enterprise solution requires maintenance and the installation of new release upgrades. The cost of this to you is measured in the time your employees have to spend with the vendor's consultants during on-site maintenance and upgrades.

Typical on-premise software upgrades on each employees' desktop can be done by the vendor's consultants. The vendor might also mail you a software patch for your IT people to implement. Either way, in terms of lost productivity, the cost for maintenance and upgrades is significant.

Since Vorex features a web-based on-demand model, your costs for maintenance and upgrades will decrease by over ninety-percent. How? Simple, Vorex upgrades do not require on-site visits or intervention from your employees at all. In fact, in most cases upgrades take place late at night or on weekends in only 4-6 hours. This convenient method for upgrading means there will be minimal (if any) impact on your daily operations – we handle everything remotely from our offices.

Why All-in-One Solutions Can Lower Your Costs

At first glance, it might appear that choosing and picking solutions from multiple vendors to address your organization's various needs is a great way to save money. Pick the vendor offering the lowest costs and save money, right?

In reality, this can be a very costly decision for the following reasons:

- The additional amount of time your employees have to spend learning different applications translates into training expenses and significant losses of productivity.
- Integration between several different solutions and technologies frequently become very complicated and difficult to manage (even impossible in certain scenarios). Mixing and matching disparate systems will cost you significant time and money because you may have to build inter-software bridges.
- New releases might not be compatible with your other solutions, which will require you to spend money on customization, or to replace some of your solutions entirely.
- You will miss out on any bundling discounts.

Sometimes it is necessary to use a second or third vendor to automate specific areas within your organization. For example, it might make sense to purchase software from a vendor who specializes in a specific area within your industry. But, this should be the exception to the rule. Only do this when it is absolutely necessary.

Vorex is a well-respected all-in-one 'blanket' solutions provider offering a powerful, reliable, robust and highly scalable web-based model. As a result, our solutions help companies avoid the excessive and unnecessary costs associated with the 'mix and match' software approach.

Conclusion

Determining the true cost of an enterprise software solution can be tricky. It requires you to do some research and ask the vendor's salesperson tough questions that they sometimes don't like to answer. Always insist that the vendor's representatives provide you with accurate and complete responses to the questions we've outlined in this white paper. Demand answers, because you will be paying for the solution you choose for many years to come. You do not want to end up paying any more than necessary.

In general, relying on figures for initial licensing fees alone is not an adequate analysis of the true cost of a solution. In many cases, these fees end up being the least expensive part of purchasing enterprise software, and might lure you into what appears to be an inexpensive solution. Bear in mind the various factors outlined in this paper that impact the actual costs involved when making enterprise software decisions for your organization.