

The 15-Minute Guide to Calculating the True Cost of an ERP

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The unbundling of enterprise software

For companies growing rapidly or maturing, much of what today's ERP solutions offer is overpriced or downright unnecessary for their needs. For example, many ERPs include or offer international capabilities for companies doing business in multiple countries. But, here's the thing: less than 1% of US companies are multinationals. ERPs also include in their packages modules for CRM, ecommerce, project management, and HR, functions which most of them never use.

There are a few factors as to why these bells and whistles get ignored:

Many modern companies already invest in best-in-class solutions that make all-in-one ERP functions unnecessary, like Salesforce for customer relationship management (CRM) or Hubspot for marketing. Many of these specialty solutions integrate with each other, or connect through tools like Zapier, enabling businesses to create an all-star team of apps at a much lower cost.

Team leaders also prefer software designed for their function. For example, a company's head of HR would choose to integrate their preferred solution made for and by HR professionals, instead of an ERP vendor's proprietary (and expensive) add-on module conceived by engineers. At other times, the functions are irrelevant to their business. Think of a construction company that has no need for ecommerce software.

Technology has made all-in-one bundles inefficient. Consider your cable TV package. It likely includes hundreds of channels you never watch. About 20% of your bill goes to sports programming, and guess what? About 30% of cable subscribers say they never even watch ESPN.





At least with cable, you know what you're paying for. Figuring out how much ERP software will actually cost you is difficult and time-consuming, typically requiring you to email or call vendors and third-parties to see if they can provide you estimates for your particular needs.

So, we did some digging and found some interesting insights into the rather opaque world of ERP software costs:

The hidden costs of ERP software

If you examine the costs of an ERP solution, you'll realize software costs are just the beginning.

- Hardware
- Integration
- Training
- Maintenance
- Employee testing

Not to mention the user licenses, and customization, implementation, and activation fees. Just like that, your bill can increase 5x from something like \$15,000 to \$85,000 per year.

In addition to these hard costs, there are often overlooked hidden costs when you consider investing in ERP software.

1. Annual fees and maintenance costs

You might anticipate annual fees and maintenance and support costs, but it's exceedingly difficult to find pricing for them or project them out until you're well into the buying process. Maintenance and support fees are huge profit centers for ERP software companies, which aligns with Gartner's recent finding that [89% of IT spend is currently dedicated to keeping the lights on](#). Even worse, ERP vendors often require you to pay for their software upgrades in order to qualify for maintenance and support services.

2. Expansion costs as your company grows

Business owners know all too well as revenue grows, costs do as well. The same goes for ERPs. It's obvious as you hire more employees, you'll need to buy additional user licenses. But you should also factor in things like future customizations, new modules, training for new employees, and increased maintenance and support fees.

On the IT side, ERP software companies and third-parties often charge large fees for integration, partly because they want you to use all of their software, which increases your bill. But another aspect of this, for example, is the IT costs of a bespoke integration of your current CRM into their software.

3. Opportunity costs for your employees

It takes valuable time to integrate and implement new software within an organization. You want to make sure employee time is being well spent on a long-term solution, instead of being wasted on software they'll never use or causes more headaches than it's worth.

For example, every user for your ERP will have to be trained and the costs of which are usually added to the total cost of your package. In addition to training costs from vendors or third-parties, your project lead will inevitably have to spend time training others on how to use it for your specific company needs.

4. Executives' time

Owners and senior management have to lead the initiative to adopt new ERP software, which is no small project and can take up an important chunk of time that could be used for other priorities. Even if leadership only participates sparsely in the training for [ERP, which has taken 120 hours](#), that's time they will not get back.

5. Data migration and implementation costs

Remember, a good assumption is you'll pay about 1.5 to 2.5 times the cost of the software for implementation. In fact, we've found the cost of implementation can cost [upwards of \\$150,000 for growing or maturing companies](#). Data migration is a significant part of implementation, so your costs can vary widely based on your needs.

For example, let's say you were quoted an annual price estimate of \$50,000 for software. You should also factor into your budget additional implementation fees between \$75,000 and \$125,000.

6. Implementation add-ons

Another significant cost that comes with implementation, in addition to data migration, is expensive software add-ons necessary to customize the solution to your exact needs. Resellers may sell you on the fear that you'll need to "future-proof" your business, but the truth is most businesses only use the core financial modules of ERPs and don't require all the extras.

Most of these add-ons resemble the extended warranty car dealerships say you desperately must have.

Pro tip: Keep these training costs in mind when evaluating your software. For example, QuickBooks Enterprise offers complimentary online product training valued at \$2,000.

7. Implementation time

Of course, you should factor in how long it will take to implement your new software. ERP implementation can take anywhere from a few months to several years, with the majority ranging between 6 to 12 months.

You can see some time to implement numbers below from the [G2 Crowd Fall 2018 Report](#).

| QuickBooks Enterprise | NetSuite | Microsoft Dynamics GP |
|-----------------------|------------|-----------------------|
| 2.2 months | 5.1 months | 4.0 months |

As you can see, the average QuickBooks Enterprise implementation time is less than three months (2.2), which is faster than NetSuite (5.1) and Microsoft Dynamics GP (4.0).

8. Upgrade costs

ERP companies often require you pay for costly software upgrades roughly every year.

Customers are finding upgrades less worthwhile as time goes on, as ERPs offer more and more incremental improvements with fewer significant feature innovations. Companies feel they need to pay for upgrades because otherwise, they can't get support from the vendor if they don't have the latest software.

9. Training costs

Training is the most elusive and often-underestimated line item of an ERP budget.

Ineffective training can lead to implementation disasters because ERP systems are so comprehensive and effectively change the way companies operate.

[Gartner found that organizations who spent less than 13% on training](#) were three times more likely to have the project miss deadlines compared to organizations that spent 17% or more.

Employees not only have to learn new software, they also have to learn a bevy of new processes. This means training your whole company from top to bottom because every employee is now a spoke in the ERP wheel.



"Many companies feel upgrades to the system don't really add value and the ERP vendor is forcing those upgrades on them and hindering them in their processes."

[Nick Castellina »](#)

Aberdeen Group Research Analyst



"If you don't make training and frequent communication with users a top priority, you will end up owning a very expensive version of Excel."

[Kevin Herrig »](#)

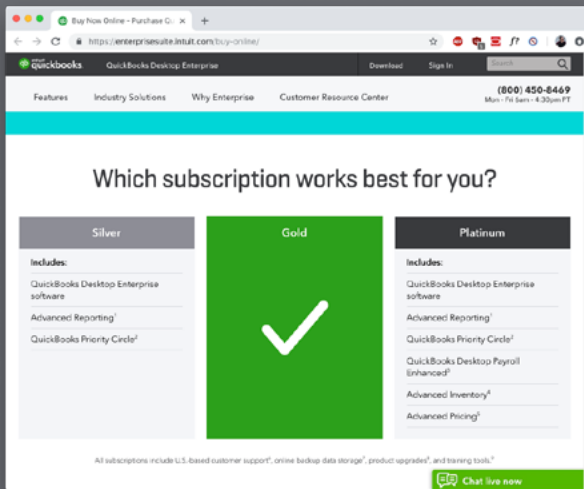
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President & CEO of GSI

QuickBooks pricing transparency

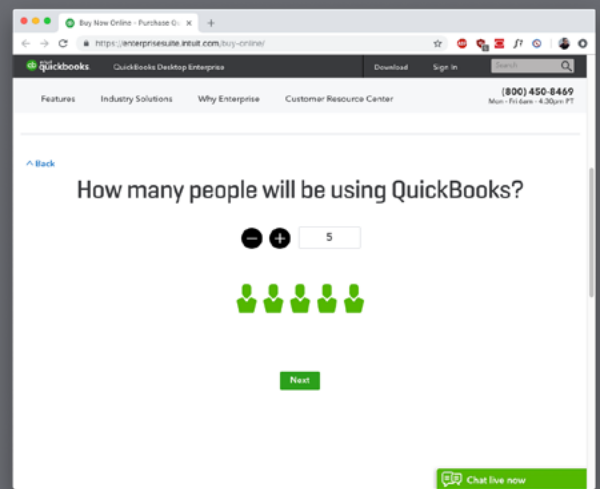
QuickBooks Enterprise believes in transparency. Your time is precious and you shouldn't have to go down a rabbit hole to figure out how much business management software is going to cost you.

That's why we created a [QuickBooks Enterprise pricing calculator](#). We understand you're busy, so we've made it easy to figure out how much QuickBooks Enterprise will cost in under a minute.

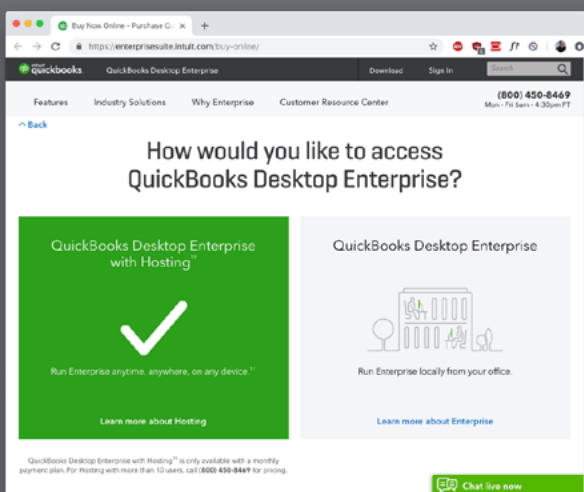
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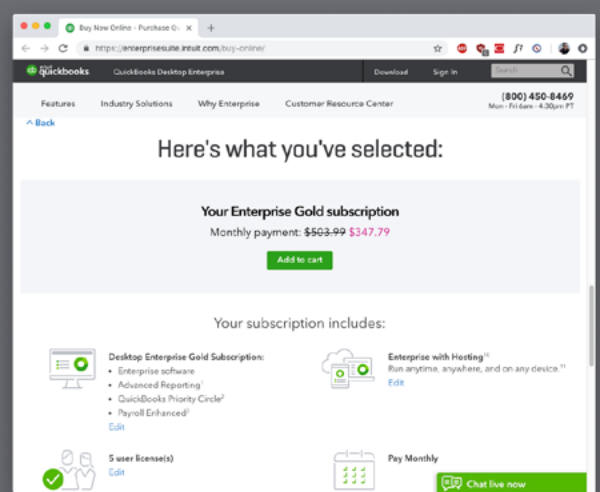
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