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# Picking the Right Software Solution: The Cost of Doing Nothing vs. Cost of Off-the-Shelf software vs. Cost of Custom Software Solution

## Introduction

You're a business owner. You have competitors. You must compete on any combination of cost, customer service, quality of products or services, and speed of delivering those products or services. Is your company running at optimal efficiency? Are your products and services being delivered as quickly as possible? Faster than your competitors? With a better profit margin? Are there still many manual processes that staff must accomplish that causes delays? Causes confusion? Causes MISTAKES?

Are you using any kind of software to assist your processes? Is it something made for general use ("off-the-shelf"), or is it custom made just for your business? Does it fulfill every need, in a manner suitable to your business model? Is it buggy? Do your users complain about it?

The purpose of this whitepaper is to help you decide if you should a) Do Nothing; b) Find new general purpose ("off-the-shelf") software, or c) have a custom software solution (web application, mobile application, desktop application, etc.) built just for your business.

**Note:** \$ is used to demonstrate cost, like a 5-star rating; one \$ is close to nothing (cheapest), while five \$ is most expensive.

## The Cost of Doing Nothing

What happens if you do nothing, if you stay status-quo? Your competitors will keep evolving, implementing new software and processes to take advantage of the latest technology. New competitors may appear, evaluating a need in the industry for more streamlined, easier systems and processes.

If you already are using software that is cost efficient and fulfills your every need, including happiness, then you're all set! Congratulations!

If you are not using some sort of software, or that software is expensive to maintain, does not fulfill your needs as you would like and you continue to do nothing, you will not be as efficient as possible. You will leave gaps, whether it be in expenses, or in profit, for competitors to take advantage. You may lose sales to those competitors, as they will be able to cut costs or provide a greater service. You will have competitors (either current or new) that will take advantage of the latest technology to streamline their processes and reduce costs and improve profit margins.

Your competitors aren't the only entity to worry about. What about your employees? If the current systems and processes are unorganized, buggy, or frustrating, you risk losing valued employees. As I'm sure you're aware, the cost of employee turnover is high in terms of training and onboarding costs.

Can your current process/system be more organized? A better software solution may help your processes become streamlined and more organized. Disorganization leads to frustrated employees, confused and poorly serviced clients.

Walmart's key to success has famously been to create computer systems to automate processes, allowing them to cut costs and keep prices low.

Short-Term Cost: \$

Mid to Long Term Cost: \$\$\$\$\$, potential loss of business and company

## The Cost of General Purpose (“Off-the-Shelf”) Software

You may already have a software package that you purchased from a store or online, or maybe you're considering one. What's great about a pre-built software package, is it's made with economies of scale. Meaning, it's intended to service many companies, not just yours. This will reduce the cost of the software. Obviously, this means that any competitors of yours will also be able to purchase the same software, negating any competitive advantage of using the software.

They're generally built for standardized processes. There will be features or sections you will not use, adding a bit of clutter to your screens, processes, workflows. This type of software is usually battle tested, meaning it shouldn't contain many bugs.

You may have certain processes, algorithms, etc., that an off-the-shelf software package cannot accommodate. You will have some options here. You can 1) Use the software for anything you do that's industry standard, but not for your customizations; 2) Change your business model to adhere to the software; 3) Contact the makers of the software to inquire about updating the software for your needs, at a cost to you. This approach is a hybrid model, where you can get the framework of an application at a lower cost than building from scratch, but you pay for a customized solution.

Customer support is a mixed bag. Before purchasing expensive software, be sure to investigate and ask about support. Is there a separate fee? If there are support fees, how are they structured: yearly, per incident, etc. Are they in your country, or is the support center outsourced to another country where the support personnel simply read from a script, and language barriers may exist? What is their average response time? They may have to support many clients and be slow to respond as well.

Short-term/up-front cost: \$\$-\$\$\$\$

Long-term cost: \$-\$\$\$

## Cost of Custom-Made software

Custom made software solutions are typically the most expensive of the software options. However, they also offer the most flexibility and agility to meet your specific business needs. If done correctly, they should also give you the biggest competitive advantage. You will not have to worry about whether the software can accommodate a change in business practices, as it can be altered at will.

While this option has the highest up-front cost, over time, the cost of ownership should down. This option will generally get the most satisfied users (both internal users and external clients). YOUR business model is integrated into the solution, you won't have to try and jury-rig a solution that wasn't built specifically for you.

Your competitors will NOT have this software solution, so you will have an advantage. As a bonus, should you decide to sell your business at any point, custom software solutions usually adds value to your company.

Custom made software is a lengthy process, which is why there's a high up-front cost. There will be meetings to gather requirements and to understand your business. A good vendor will not just take down requirements, but they will also take the time to understand your business and your industry. There may be user interface (UI/UX) design work, graphic design work, mockups, project plans created, etc., before any software code is written. There will be many iterations of testing-feedback-modify code.









Servers will be needed. These can be cloud based, or on premises. A database server will be needed, and maybe a server to communicate between the database and the software. The bottom line is, there are many options to explore for delivering your app.

Regarding ongoing support, a good vendor will guarantee against bugs. This is a gray area though, as to how to define a bug, so be sure to have a definition of a bug during the initial consultation. There will always be feedback/recommendations users of the app will make to have the software more efficient for their roles, add more features, etc. Some vendors may charge a monthly fee to perform maintenance, continue to add features, and/or keep an eye on performance. Or, just opt for a project based, as-needed maintenance/project-upgrade plan.

Short-term/up-front cost: \$\$\$-\$\$\$\$\$

Long term cost: \$-\$\$

## Comparison Chart

	Do Nothing (no software)	General Purpose Software	Custom Software
Process that matches your workflow and business practices			
Flexibility for Custom Features			
Flexible Deployment Schedule (new features added; bugs fixed)			
Speed to Market			
Competitive Advantage			
Short Term Cost	\$	\$\$-\$\$\$\$	\$\$\$-\$\$\$\$\$
Long Term Cost	\$\$\$\$\$	\$-\$\$\$	\$-\$\$

## Conclusion

Determining if you should invest in upgrading your technology can be a tricky proposition. We eggheads at Egghead Logic Inc. believe software, done correctly, can reduce expenses, increase sales, resulting in a greater profit margin.

If you're still not sure which solution is best for you, please call or email us, and we'll be happy to provide a free phone consultation to help you find the right solution for you.

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