



Software Pricing Questions

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Overview

Software pricing can be a mystery. Those of us, who have purchased software, or hardware for that matter, usually have some horror stories of hidden pricing elements.

ERP Pricing

It gets worse when you start looking at ERP Pricing. The concept seems to be to get the customer to agree to purchase, and then roll out the pricing elements that suddenly bump up the price by several thousand dollars.

“But we always have a 10% loading for purchases made in Spring! Didn’t you read the pricing manual?”

This is by no means an exhaustive list. I hope in fact that some of the readers can contribute their experiences so that we can all share, and be prepared for negotiating with Vendors.

Here are a few questions to ask about the price:

Initial Price

- Software base license fee
- Cost per seat (Named or concurrent users. Named means every person using the software has to pay a seat fee. Concurrent means you pay for a certain number of people to use the system at any one time)
- Loadings for company size
- Per processor fees
- Delivery charge.
- Deposit required
- Fees for web version (Are there additional fees for web access versions)
- Fees for other devices (e.g. Interface through palms)
- Other required software (What else do you need to run the application)
- Copyright fees (If the software uses another organisation’s copyright)
- Warranty charges (Separate charge for an extended warranty period)
- Insurance against lack of performance or installation schedule not being met
- Statutory and Legal charges
- Tax (In this country, or in the country of origin)
- Escrow charges (charges to hold a version of the source in escrow)
- Discounts available (e.g. discount for x user license)

- Multi-site discounts
- Currency quoted
- Exchange rate calculation basis (Rate and fluctuation allowed for in the price quoted). This applies both to the initial quote and future payments.
- Defect rectification costs (should be nil)
- Date of the quote expiry
- Any additional commission or agency fee charges

Hardware Pricing

- Hardware costs
- Hardware set-up costs
- Hardware installation
- Hardware delivery
- Network establishment/upgrade
- Disk storage upgrade

Other required software

- Operating system costs
- Database management system
- Data communication costs
- Report writers

Implementation Pricing

- Staff training (Generic and custom training)
- Manuals (What types, and their cost)
- Implementation costs (To install on our system)
- Configuration costs
- Customisation costs
- Data Conversion and cleansing
- Testing costs

Support Pricing

- Help desk charge basis (charge per call, access fees, dial up charges)
- Ability and cost of reducing level of support (Help is likely to taper off after the initial period)
- Remote help desk charges (line installation, modem etc.)
- On-site support charges
- Accommodation and living costs for on-site support

- Remote support charges

Maintenance Pricing

- Maintenance charges
- Maintenance scales (e.g. 1 hr response v 24 hr response)
- Basis for maintenance calculation. For example if it is a percentage, what is it a percentage of? Is it the list price? Is it the purchase price? What is the basis for next year?
- Limit on increases in annual maintenance charges

Ongoing fees

- Usage fees
- Transaction fees
- Payment schedule (When are payments to be made)
- Unpaid amounts interest rate. When do these start?
- Additional licenses
- License re-location
- Annual use of consumables

Upgrades

- Upgrade fees for next release
- Mandatory upgrade costs
- Upgrade implementation costs
- Conversion costs
- Other software upgrades required

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Project Perfect sell “Project Administrator” software, which is a tool to assist organisations better manage project risks, issues, budgets, scope, documentation planning and scheduling. For more information on Project Administrator or Project Management visit www.projectperfect.com.au