A ERP Software Pricing: An art of "a Honey Tongue, a Heart of Gall"

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INTRODUCTION

Pricing is one of the key element in software purchase it is as important among the 4 P's of Marketing Mix. The estimation of product cost, is directly related to $ P's of marketing, its become more critical task in the case of project management of ERP software. The criticalness of this task goes tough and tough as the complexity of software projects increases, at the same time the cost associated with the projects is also increases. Therefore it is advised to determine the software price the estimation should be done in the early stage of development . However, as regards the issue of customer satisfaction, end-users are often unsatisfied with software project management results

Another key task is to suggest or develop the useful model which demonstrate the development stages of software life cycle with E-R diagram . The basic life cycle of softwares the Currently used software development effort estimation models such as, COCOMO and Function Point Analysis, do not consistently provide accurate project cost and effort estimates. This is often because important project data, available at the time of modeling, are often vague, imprecise, and incomplete. Traditionally used cost estimation models cannot utilize such vague yet important information in their models.

At present few models are being adopted in the industry like fuzzy logic, COCOMO and function point analysis. Due to the various parameters these models are also not able to provide the pricing solution like imprecise and incomplete vague data Fuzzy logic method is suitable up to some extent in case of vague data… due to this reason the emergence of result based ERP software pricing is emerging, which can transform the whole software industry, few considerations for this idea is discussed in this context.

ERP

Enterprise Resource Planning(ERP), is a intergrated application software used by almost every company which deals with physical, tangible products. ERP systems support various aspects of your business depending on the particular system, but the one thing that all ERP applications have in common is sharing of information.

ERP software contains all the applications of industry-specific functionality such as inventory , finance, supply chain , logistics management, manufacturing management, material management retail management and POS (point of sale).

ERP has a POS software in the front end usually manages the 'front end' of the store (ringing up sales, managing prices and promotions, inventory management employee roles, etc).On the other side ERP software main focal point on the 'back-end' of the wholesale business (operation repository, supply movement and balances, and demand planning). Both systems when combined together provide reporting capabilities in a such a way that every point is monitored. POS systems aim on sales and worker metrics while ERP systems aim on supply and cost metrics as well as monetary reports such as balance sheets or profit and loss statements.

As the name indicates, retailers use POS application to manage the front-facing features of their retail business to maintain sales transactions while also updating inventory. Many POS software applications have a feature of purchasing / receiving potentials, provide information about every retail transactions, and may report information from each register by shift or sales associate. Data collected through the POS systems is used by Organizations s not only to generate demand forecasts but also for planning and to update the inventory records in ERP software. POS systems is helpful all across multiple channels and

helpful in providing a over all picture of sales for businesses with combination of physical and online stores,

As per the (Chaudhary Shankar , 2017)Enterprise Resource Planning, on the other hand, run the behind-the-scenes processes of a retailer by managing and recording transactions that occur in warehouses and stockrooms. Companies frequently use their ERP system to plan replenishment at distribution sites usually. As a result, where POS application module is used in ERP software to designed for retail environments to eliminate the cost of integrating with a third-party application. Both these systems designed is helpful in integration and work together, at the same time it is more cost effective and easier to manage than different vendors. Since both types of applications process inventory transactions, POS and ERP software often have some overlap in the functionality they provide, resulting in confusion as to which application will best support the company. In common, small traders uses POS terminal for the inventory management of their stock for front and back-end of their retail operation businesses. However, big traders have something more typical needs, and typically need an enterprise-class ERP system that manages their operations. In these cases, a big retailer e in a process looks to integrate a third party POS system to supervise the checkout process, or to have POS functions as a part of their ERP system.

The Key Vendors of Enterprise resource planning (ERP) present in the market are disreputably cautious about the price of their software. Because the various factor which have a great influence on the final price of an ERP system. Before the finalization of the vendor , negotiation take place on the terms and then contract is signed. This contact can be a long draft which vary from the size of the company and their requirements.

The overall price is influenced by various factors like :Number of users, Numbers of applications in ERP package, where it is going to be hosted and the level of customization.. The ERP software should have a features like Business intelligence. Logistics Management, inventory management, human resource Management, Accounts, Customer relationship Management, Manufacturing, Material management and supply chain management. The Big size business requires more application and small

organization Requires less applications. As per panorama consulting 2015 survey stated that only 93 percent companies uses customized software these days as per their requirement. Like SAP in Retail sector compromises of a bundled solution which includes covers many aspects of the this industry, starting from supply demand management and Point Of Sale. It is being used by worlds leading organization and received wide acceptance. Bit it is believed that it's very difficult to use and difficult to implement, maintain and update without dedicated staff. A new trend is now in practice having a result oriented package instead of purchasing software and it codes. Vendor compensation scheme is totally based upon the result. Saas or software as a service become quite popular and customer is going on subscription module. The outcome based software model is getting popular instead of traditional software pricing

Therefore it is not just a provision of sale of software but a whole life cycle. The customer value is created and success is being monitored nad payment received as per the value is created by the application . here the software is being considered as application but value creator and what result is being experienced in terms of value. Business out come is being associated with the value creation not by jut selling the products and services While the business model looks very attractive, it is supposed to motivate not only software companies to sell their products and services but also both the vendors and their customers to be deeply interested in the overall success of the use of those products and services. While these ideas may seem sound on the theoretical level, on the practical level, the situation can be way more complex, quite ambiguous and controversial .As the model changes the pricing structure changes from the model adopted by the user because the model ha certain features like no of users, maintenance schedule, cost of user training, . the organization have to 20-25 % extra in addition license fees .

ERP SAAS MODELS

Software's vendors has three types of models mainly adopted by the end user industry, they are
1. Application model
2. User model
3. Unlimited model

In the first model the you have to pay as per the Services you used or the resources used in period of time for number of accounts/user , traffic and the data storage volume. you have to pay only for volume of resources are being consumed. Pay per user model is the one of the most common model used in ERP SaaS, here charges are based on the users uses the application in organization and the billing occurs over a fixed period.The responsible person can control the number of users in a systems and can control the cost of the uses . even when some body is transferred in other department that the things can be taken care of, this will save the cost. The below figure illustrate the difference between the traditional one and pay per user model

Pay per User Pricing Model – Multiple User Pricing
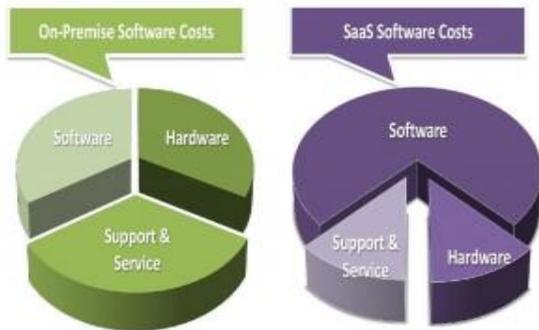
This model can be combined with variation of support and services with software applications so that the pricing for more numbers can be reduced with same features, therefore it is helpful in maintain the vendors Profitability, the transparency is very high at reduced rate and the the over all bill remains the same for whole month.this type of model can be combined with variation of traits for every individual application of bulk users.

The unlimited use model provide the facility of billing on agreed terms and conditions for the user on the agreed applications for the unlimited users.

Organizations Willing to indulge to give you a better idea of what you can expect to spend on ERP systems, we analyzed the estimated budgets of 100 SMBs that contacted Software Advice between 2014 and 2017 in search of a new ERP system.The following chart is broken down by the number of users of these buyers' companies:

Estimated Budget for Perpetual License vs. Cloud-Based ERP Systems
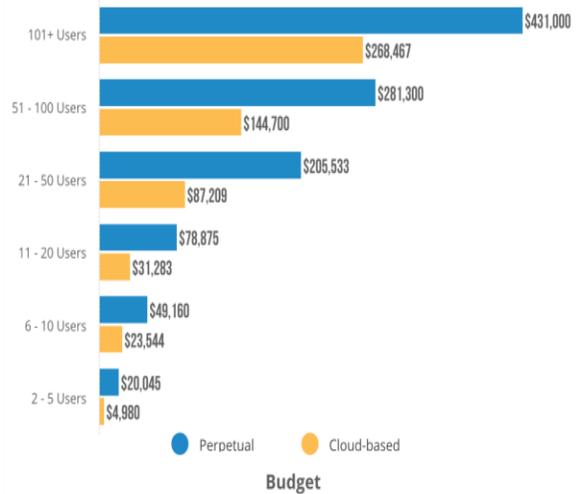
bigger businesses group usually tend to be less cautious about making a significant investment in an on-premise system. But for small and middle business groups cloud-based offerings can be much more fruitful option due to the lesser initial price point. The license cost is measured as an ongoing operating cost vendors of ERP tend to competitively price their cloud-based options.

ERP PRICE CHALLENGES

With the Fastened speed of today's business, most of the organizations need an system to keep trail of inventory balances more quickly than ever before, for such need ERP is the best. Sometimes retailer have high volume, it becomes very difficult to maintain inventory balances accurately or effectively by traditional methods such as excel spreadsheets. The resulting disorder may affect the store's image and sales volume too.

 software vendors may demand payment for the whole software implementation and utilization life cycle, while customers would definitely try to minimize expenses and put a time limit on such payments by say, by number of financial periods after project completion. Another aspect of this results-based model concerns for duration the software application is being considered as new and bringing value to the customer. what would be the measurement and comparison basis after using between current and —previous years' and their financial numbers. What if that worth declines over a period of time and what would be would payment basis ,and last how companies are going to eliminate

external influence factors which are not related or considered bit still in software the monetized or somehow measurable level of success.

ERP BENEFITS

Most ERP systems include predefined business processes based on the best practices of the industries they address, helping to ensure effective execution.
ERP systems use the same data for all areas of the business, so that have a better visibility into operations and the status of the business and its performance.
With more visibility into future demand and more accurate inventory records, provide better customer service and reduce stock outs, resulting in higher revenue and increased profitability.
Eliminating delays in updating information and duplication of data across multiple systems helps to streamline your business and keeps costs low.

FUTURE

Organisation buy the software as per the certain out come in their mindsets, with the expected positive results from their associated action or activities, they might be tangible or intangible. Use of results-based compensation probably is a matter of a mutually agreed-upon and accepted simplified model with some measurable parameters that will be entered into the final invoice calculations. But for other packages, a more sophisticated or even scientific model for approaching numbers that accurately reflects real-life software success would be required. This may also require impartial value-tracking auditing and calculating institutions that would be skilled and qualified enough to provide proper ROI and delivered software value calculations. It is relatively easy to predict that there will be a gradual increase in the demand and importance of the role of such consultants and auditors.
Anyway, it's hard to expect wide acceptance of results-based compensation practices until solutions for the aforementioned conceptual questions and issues are found. But the subject definitely deserves to be watched and followed, as software pricing models will surely continue to evolve.

CONCLUSION

As varied as ERP software pricing can be, we hope seeing what other businesses in your bracket typically budget will help you make a more informed decision about your own purchase. top-performing ERP products in the market are Bargain for the best Price no need not be afraid to good deal with the ERP vendors. The struggle today is aggressive and the ERP SaaS vendors know that your relationship are long termed – so they will come towards customer and agree to compromises. bargain for suggested features, applications and fee for users.