

Essential Questions to Uncover the Total Cost of Software

What is TCO?

Put simply, it is the sum of all costs and expenses related to buying, implementing, operating and managing your software solutions (either directly or indirectly).

Why is TCO an important factor to consider?

TCO is important because it determines your ROI. A TCO analysis can reveal that software actually costs a business upwards of 5-8x the original purchase price. Understanding how much your software is going to cost you over time helps you make better buying decisions when deciding which software provides the best possible ROI.

What factors into TCO?

The 3 major costs areas associated with purchasing and implementing software are:

- Acquisition costs
- Operating costs
- Personnel costs



What to Ask Your Vendor

Cost Component	What it is	What to ask
Acquisition		
Software upfront/ subscription cost	Cost of the software whether a one-time, monthly, or yearly recurring fee as well as the cost of user licenses.	<p>How many user licenses does that price include?</p> <p>Are there any other factors that could increase the price for me, such as the number of contacts in my database?</p> <p>Are there any add-ons or additional products that customers like me commonly need to purchase?</p>
Implementation/ onboarding cost	This is the cost of setting up your new system for your business and onboarding users.	<p>Do you offer or require onboarding services? What is the cost?</p> <p>Is support for implementation available? Is this an additional cost?</p>
Integration cost	This is the costs to integrate external systems into your new software.	<p>Will I be charged to integrate my other systems with the software? For example, we need to integrate [insert list of systems] with this software.</p> <p>Do customers like me usually need custom integrations built?</p>
Data migration cost	The cost to migrate your data into the new system.	<p>Will I be charged to migrate my data into the software?</p> <p>How simple is the process of migrating my data? Will I need to purchase additional services to accomplish this?</p>
External system interface cost	The cost of API/Developer work required to integrate your new software with other highly used systems in the organization to ensure they all talk to each other.	<p>Do customers like me typically require additional API or developer work to integrate this software with their other systems? For example, we need to integrate with [insert list of systems].</p>
Other acquisition costs	Any additional acquisition costs not accounted for above such as software customization.	<p>Do customers like me typically need additional customization to make the software work for them? What does this usually cost?</p>
Operating		
Cost of additional contacts and users	The cost to add new users or additional contacts after your initial purchase.	<p>What is the cost of adding users in the future?</p> <p>Are there any other limit increases that I may need to purchase? If so, what are their costs?</p>
Training costs	The cost of training employees to use the software.	<p>What type of product training do you provide? Is this included in the cost of the software?</p> <p>Do customers like me typically seek out additional training for their employees? How much do they spend?</p>
Software maintenance cost	The cost of any software upgrades, updates, patches and fixes needed to improve functionality and keep the software in working order.	<p>Is software maintenance such as upgrades, updates, patches and fixes included in the cost of the software?</p> <p>How often do you release improvements and added functionality to your software?</p>
Customer support cost	The cost of technical product support and resources that provide help and advice to users.	<p>Do you offer ongoing product support? What is the cost for this support?</p> <p>How often is support available and what is their response time?</p>
Other operating costs	Any additional operations costs not accounted for above such as additional integrations, enhancements or security.	<p>What security measures are included in the cost of the software?</p> <p>Are there any other integrations or enhancements that customers might need to make to the software?</p>
Personnel		
Personnel costs	The costs spent on the personnel needed to manage your software such as CRM/admin, IT support staff, and process/strategy consultant.	<p>Do customers typically employ a dedicated admin to manage the software?</p> <p>Do customers hire any additional personnel such as strategy consultants or IT support to help them with the software?</p>

