

# Upgrade pain

*Contemplating a new or upgraded ERP system? In which case, you're likely also to be contemplating a hefty bill. But it doesn't have to be that way, says Guy Amoroso of 123 Insight*

These days, many small and medium-sized manufacturing businesses have an ERP system. But for some of those businesses, the reality is that their ERP system will no longer be fit for purpose.

Perhaps the business has outgrown it. Perhaps it's no longer supported, or has simply become too costly in terms of maintenance. Perhaps it's virtually obsolete, providing little of the functionality that is now taken for granted in an ERP system. Or perhaps, too, the problem lies with the software vendor, which wants to move the product in a direction that their customer isn't happy with.

In short, for a variety of reasons, it's become necessary to replace the system. But, with what, precisely?

Because it's at this point, says Guy Amoroso, managing director of ERP system vendor 123 Insight, that businesses can quickly discover that they've opened up a real can of worms.

One option, he points out, is a simple ERP upgrade. The business likes the vendor, and likes the product, but it's old, slow, and no longer doing quite what is wanted. So an upgrade seems logical.

But the problem with this route, as many companies find to their cost – literally – is that upgrades aren't as inexpensive as might be imagined. To start with, explains Amoroso, there's the upgrade cost itself to consider.

"Stay on the upgrade path and upgrade every time there's a new release, and upgrades needn't cost a fortune. But skip a couple of versions, and the license fee demanded can be almost as much as buying a new system," he points out.

Plus, of course, even a move to a newer version of the same core ERP product can cause disruption. For instance, it may be prudent to look at the adequacy of the existing server, and also see if the same core database will still work with the newer version. Likewise, there's user training to consider, plus the cost of any consultancy support during the upgrade itself, and while the new version 'beds in'.

And, in both cases, stresses Amoroso, the costs can

quickly mount. Overall, he sums up, it's far from unusual to find that the result is to turn an upgrade into something that effectively costs much the same as a whole new ERP system.

So perhaps, then, it is actually time to look at a new vendor, and consider an entirely different ERP system? And certainly, says Amoroso, once a business has discovered how prohibitive the cost of an upgrade can be, the temptation to test the market can prove irresistible.

The problem, again, is cost and disruption and, for businesses that haven't bought a new ERP system for several years, he points out, the numbers involved can be something of a shock.

"If the cost of the new system itself is, say, £100,000, then it's easy to see the associated costs of hardware, implementation support and training amount to a further £100,000 or even slightly more," he observes. "Plus, of course, there's an annual maintenance cost of £25,000 or so. It quickly becomes a very significant capital expenditure project and a project that isn't without risk, either. And far too many ERP system implementations are

failures, requiring businesses to go through the whole process again."

## Alternative to diverting funds?

In short, he sums up, at a time when many manufacturers know that they need to be focusing their capital expenditure budgets on new production machinery, the prospect of diverting funds to a new ERP system is hardly appealing. So is there an alternative?

The answer, says Amoroso, is a resounding 'yes'. Simply put, he explains, 123 Insight's own ERP offering – called 123insight – provides an effective counter for all these arguments.

"To begin with, 123insight is easily affordable: there's no major capital outlay, and users just pay a low monthly subscription fee which, by the way, includes maintenance, so there's no separate maintenance charge.

"Second, there's no fixed-period 'tie in': it really is 'pay as you go', for as long or as little as you like.

"Third, 123insight is suitable for all types of manufacturing businesses and manufacturing business models – make-to-order, build-to-forecast, customise-to-order, bespoke, you name it. Fourth, there's no customisation involved: everyone uses the same standard software, making implementation quicker. And fifth, because it's easy to implement and use, there's a rapid ROI."

"No fixed period tie in"



"An upgrade can effectively cost much the same as a whole new ERP system"

Guy Amoroso, 123 Insight



In other words, businesses can sidestep the capital costs and expense of both an upgraded ERP system and a new ERP system, by opting for an ERP system available on a subscription model, paid for out of operating expense, not the capital budget.

Moreover, they also sidestep the lengthy training and implementation processes associated with traditional ERP systems: as a major part of its sales cycle, 123 Insight offers 'no commitment' training in 123insight, allowing businesses to take advantage of a six-day training programme in the product, after which most business have everything that they need to either implement the system, or alternatively decide that it's not quite right for them.

And, if they do walk away, stresses Amoroso, then there's nothing to pay. Statistically, fewer than 1% do, with the overwhelming majority moving forward with implementation.

What's more, he adds, in contrast to ERP vendors who insist on selling all the licenses that a company might require 'upfront', as part of the initial purchase, 123insight's licensing model means that during the implementation process, a company might need to acquire only one or two licenses signing up for the remainder of the license requirement only when the system is up and running.

"From a cash flow and affordability perspective, this

can be a huge plus and it's one that our customers continually tell us that they value," stresses Amoroso. Warwickshire-based Geotechnical Instruments Ltd, for instance, took advantage of the move to 123insight to systematically clean and restructure its entire parts and product database, in the process stretching implementation out over a year. But during this period, only a couple of licenses were 'live'.

Not that such lengthy implementations are the norm; far from it, stresses Amoroso. More typical, he explains, is the experience of Gwent-based electronic equipment manufacturer Toucan Systems Ltd, which, like many customers, initially elected to run 123insight in parallel alongside its ERP existing system, until it was certain that the system was working. But after just two days of parallel running, the plug was pulled on the previous system, meaning that the interval between initial training and 'go live' was just seven weeks.

"Too good to be true? Quite a few of our customers have told us that... before they attended one of our free workshops or one of our training events," sums up Amoroso. "Since 2007, we've been a finalist or outright winner of no fewer than 24 awards and you don't win those accolades by over-promising and under-delivering." ■

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