



BUDGETING FOR NEW TECHNOLOGY

The full cost of implementing a new technology solution (hardware and/or software) is not always obvious.

Therefore, when a new project is started, it is also best to focus on the total cost of the project and budget accordingly. For example, the cost for application software can be insignificant when compared to the implementation, ongoing maintenance and licensing fees, training and hardware costs.

If you work with a vendor's cost model, you may only budget a piece of the total cost. The vendor's model could miss important implementation or integration points that are unique to your company.

Regardless of whether you budget the total project cost with the assistance of a consultant or not, it is best to divide your cost into three cost categories:

One-time Costs – Cost for purchasing and implementing the software and hardware.

Annual Operating Expenses – Costs that will reoccur each year.

Additional Support Services – Costs for needed services on an as-needed basis.

One-Time Costs ordinarily include:

Software – One time fee for the software.

Modifications to the Software – Cost for “must have” and “should have” modifications necessary to meet the strategic business needs of the company.

Hardware – One time fee for the hardware.

Site Preparation Costs – Cost for preparing the physical site including additional electrical outlets, new furniture, and air conditioning.

Documentation – No charge should apply for an implementation guide, technical documentation, operations documentation and a generic user guide. Additional guides and the creation of a User Guide specific to the company need to be budgeted.

Training – Limited training may be part of the initial fee, but if a trainer needs to be hired, look for discounts based on the number of people being trained.

Additional Required Products – Additional hardware or software necessary such as upgrading the company's word processing package for compatibility.

Installation – Cost for the person to install the hardware and software including any out-of-pocket expenses such as travel and meals.

Annual Operating Expenses usually include:

Annual License Fee

Maintenance of software and hardware

Modifications

Additional Support Services might include:

Consulting

Programming

Telephone Support

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