

---

## **BUYING VERSUS BUILDING SOFTWARE:**

**A guide for food businesses that are experiencing growth**

---

When making choices on whether to build or buy software tools, food companies must weigh their options to make well informed decisions because the repercussions of a software choice can be long lasting.

Building a software tool often seems to be the easier route to take. For one thing it's a solution that's tailor made for your organization. So you have total control over it because it's developed and maintained by your in-house staff. And, at first glance, you might think that the upfront costs are often less when you build rather than buy an entire enterprise resource planning (ERP) solution. But that's not always the case.

So before you make a decision about whether building or buying software is best for your company, take a look at some of the differences between "buy" and "build":

### **UPFRONT COSTS:**

**Build:** It's often hard to estimate the cost of building any type of software because of the upfront investment in hardware as well as software development, particularly software that's developed in-house designed to meet company specifications.

And it can be especially tough to estimate the total costs involved in developing an ERP solution. You have to include the cost of the resources involved in software development including requirements gathering, analyzing, designing, implementing, testing, training users, performing on-going maintenance and enhancements of the software tool.

A common perception when developing in-house software tools is that the users of the software tool won't expect much from it and they'll be more forgiving of its shortcomings. But the fact is users demand as much, if not more, from software tools that are developed in house. Not only that, they think just because the developers are in-house and accessible they can request customizations and changes whenever they want.

**Buy:** Purchasing ERP software involves well-defined and known licensing fees or subscription costs (for software as a service) and, sometimes, a setup or installation fee.

### **UPFRONT DEVELOPMENT TIME:**

**Build:** Many food companies recognize the downside of development time. After all, it's not just about writing the application code and testing it. There are numerous meetings to discuss planning and design, proof-of-concept development, hardware/software coordination and testing. Each of these stages can take weeks or even months before you're ready for launch.

**Buy:** When you buy an ERP solution, the product is ready and it only requires an investment in time for training.

## ■ SOFTWARE MAINTENANCE:

**Build:** As soon as it's released, a software application becomes outdated. That's why software vendors release updates—to improve functionality and update features, not just to fix bugs. For software developed in-house that means money for development, testing, and design as the software becomes obsolete, systems evolve, or your hardware demands increase. And if you don't invest in updating the software, you could have more problems down the line. Would you drive your car for years with changing the oil or doing other maintenance?

**Buy:** When you buy ERP software, updates and maintenance are the responsibility of the provider. SaaS (software as a service) solutions often have the added benefit of rolling out new releases without additional licensing fees.

## ■ SOFTWARE MATURITY:

**Build:** Software takes time to mature, especially software developed in-house. It can take years of development and maintenance—not to mention a ton of money—before all the bugs are fixed. Even though a custom-built application may seem to offer control and flexibility, it will only lock your company into a solution that is less than optimal.

**Buy:** But when you buy an ERP solution, especially one from a well-regarded, established vendor, it should arrive with a mature level of quality.

## ■ REAL-WORLD PROBLEMS:

**Build:** It's a fact of business—companies reorganize. Then budgets get cut and your in-house software developers move on. You could be in serious trouble if the software engineers who developed your in-house ERP system are among those headed for the door. How will you accomplish any necessary updates if you don't have the money or if your lead developer leaves the company?

**Buy:** When you buy an ERP tool, your provider is focused on that product—it's the company's source of revenue. So the vendor will continue to devote significant resources to it no matter what happens to the structure of the company. If you buy software that is on a current platform like Microsoft then you can stay on its product roadmap.

According to studies from companies like IBM, as well as analyst firms like Gartner Group and IDC, organizations don't realize nearly the return on investment (ROI) when they build their software rather than buy it. And ROI should be a primary consideration when you decide whether to buy or build your solution.

There are also other advantages to packaged software applications over traditional custom-built approaches. For example packaged software applications leverage reusable components, and they offer better integration with third-party technologies as well as automated and standardized design processes. And they've been proven to be highly

reliable. So instead of reinventing the wheel, your developers can focus on your company's core competencies. Cost-effective packaged solutions take the burden off internal development resources to meet the needs of your organization.

When you compare the two, the benefits of buying over building should be clear. It's true the built solution is tailor-made for your internal workflows so there's no need to change the way you do things. And even though your company might have to change its workflow slightly to adapt to commercial software, employees are usually more than capable of integrating a bought solution into their everyday tasks.

Whether or not to build an in-house ERP solution depends on an honest assessment of the needs of your organization and what it will take to meet those needs. Sometimes the nature of the project dictates the necessary direction. Does your organization require a solution involving a highly specialized business function for which no commercial software exists? Then you should build that solution in-house.

But in-house applications are often developed to meet the needs at a particular moment, without considering rising user demands and increasing amounts of data. Commercial software, on the other hand, is scalable and can handle increasing user demand as well as increasing data volumes.

### **FOCUS ON YOUR PROBLEM AND YOUR NEEDS**

So if you're thinking about investing in an ERP system, the first thing you need to do is step away from the functionality of the software and focus on clarifying your vision and your needs because food companies have unique characteristics and requirements.

You have to constantly adapt your business in response to global market forces. Your manufacturing and business strategy are affected by changing customer preferences, consolidation and more stringent government regulations. As competition increases, food companies must offer more products to meet the demands of their customers as well as deliver top-quality products. And that means you have to invest in the right ERP system.

### **BEGIN YOUR INVESTIGATION**

There are a number of questions you need to ask before you decide which ERP system will best match your needs including:

- Which system will be the easiest and least expensive to implement and maintain? Keep in mind that sometimes the costs of installation and support will be much higher than the cost of the software. It's important to note that cheaper doesn't always mean better but, then again, a more expensive ERP system might not have all the features you need, either.

- How easily can the software adapt to your changing business processes? As your business grows processes inevitably change so you need to ensure that your ERP system can change with it.
- What do users really want—an easy-to-use interface or robust functionality? In the best of all worlds, an ERP system should offer both, but that’s not always the case. So you need to decide if you want a more user-friendly system or a proven ERP system with a lot of functionality. The ERP system you choose should also let you add new functions as you need them and should be able to change as your business and/or industry changes.

Whether you decide to build or buy your software tools there are certain cost-related questions you need to ask including:

- How many users do you think you’ll need? Licensing fees can vary drastically and understanding what you need helps you get a more accurate sense of cost. When you talk to vendors make sure you’re comparing apples to apples.
- Licensing fees can be based on named users, which means how many unique users will be using the solution, or on concurrent users, which means how many users can be on your system at one time.
- What type of technology platform do you want to be on? There are various types of technology platforms that you can run—on-premise versus software as a service (SaaS); free and open source software versus proprietary software; and old technology versus new technology.

## **SELECTING A VENDOR**

If you decide to buy your software solution the next step is selecting a vendor. It can be confusing to try and determine which ERP vendor best meets your needs. So you should create a list of criteria that addresses your main concerns. Then you should evaluate the ERP vendors against those concerns.

There are certain things you absolutely must do while evaluating ERP system vendors including: Ensure the vendor truly understands your business needs, versus just your software functionality requirements.

1. Ask each vendor for a live demonstration of its ERP system in a real-time business environment using your real business data;
2. Evaluate the vendor’s experience in the food industry and ask the provider for references of successful ERP implementations in food companies;
3. Consider the vendor’s policies for support, updates, version upgrades, etc. after the initial implementation.
4. Make sure you can “work” with your potential vendor; this is a long term relationship, and as with any business it is important that you can work together through some of the pressure points you will surely encounter during a software change.

You should also consider such factors as the vendor's credibility, stability, financial viability, track record of successful implementations as well as its range of products. Try to find a partner instead of service provider. Companies that truly succeed in ERP are companies that want to see their customers succeed. Adding true business value is what happens with a good ERP system.

You might also want to seek out consulting firms that can give you more insight and guidance into the selection process as well as the software marketplace. Do a search for Internet directories of software vendors and their products so you can compare them.

You can also search for user forums to see what others are saying about particular vendors and products. In addition, try consulting industry reports and white papers, as well as blogs and websites of industry experts for information.

### **WHY JUSTFOODERP?**

JustFoodERP works with food processors and distributors. We understand the challenges and we understand the strain of staying profitable while planning for the future. With the highest degree of fit out of the box in the industry, using our software means no customization, no risk, and easy upgrades. We speak your language because we work in your industry. We hire industry experts to work on your implementations and we have a Customer Advisory Council comprised of your peers to help drive our product direction. Our technology is powered by the best in the business, Microsoft Dynamics.

JustFoodERP provides a full breadth of functionality integrating all elements of your business including sales, inventory, purchasing, planning, forecasting, manufacturing, warehouse management, shipping, and quality management. We do this by focusing on the specific needs of food processors and distributors.

Because it's powered by Microsoft Dynamics, JustFoodERP is instantly recognizable to your users because it's a Microsoft product. It also speaks to all the technology your company is using today including Outlook, Excel, Word and backend tools like SQL Server, and SharePoint

Our customers' continuous improvements are key. With JustFoodERP, you'll gain access to a product roadmap and upgrade path that allows you to find and make improvements in your business long after your initial implementation. Partnering with Microsoft Dynamics means that we offer all the benefits of working with an industry specific software provider and have the backing of the largest provider of business software in the world.

JustFoodERP's implementation record is 97% on time and on budget. We take the risk out of the equation by eliminating the need for risky customization. We've built an implementation process that allows your family-run company to implement an ERP system without taking an eye off your business. After all, what good is business software if it doesn't help you improve your bottom line?

# justfoodERP

Information on Microsoft Dynamics can be found at [www.justfoodERP.com](http://www.justfoodERP.com)



Information on Microsoft Dynamics can be found at [www.microsoft.com/dynamics](http://www.microsoft.com/dynamics)