

# Custom Software vs. Off the Shelf

**Your guide to  
discovering the type  
of software your  
business really  
needs**



January 2013

DragonPoint, Inc.

877-542-0657

[www.dragonpoint.com](http://www.dragonpoint.com)

## Executive Summary

If you have a **love-hate relationship** with your software, you're not alone. Many companies uncover hidden costs and shortcomings during the process of purchasing, installing, and using business software.



Before you buy new or enhance existing business software, use this guide to discover the real benefits and drawbacks of custom software and off the shelf packages so you can love your software much more often than you hate it.

## Contents

Executive Summary.....	1
Contents .....	2
Custom vs Off the Shelf Software .....	3
Advantages of Custom Software Systems .....	4
So why don't all businesses use custom software? .....	6
What about commercial off the shelf software?.....	7
Custom vs. Commercial Software: Which is better?.....	10
About DragonPoint .....	10

## Custom vs. Off the Shelf Software

If you have a love-hate relationship with your software, you're not alone. Many businesses love the increased efficiency and the time savings that software provides, but hate having to work with someone else's idea of how their process should function.

In more than half of the process improvement projects we've conducted, at least one of the findings focuses on inadequate software, such as these two examples:

- Our software doesn't meet our current business needs and can't support future growth.
- People have developed auxiliary systems using spreadsheets to compensate for limitations of the primary business software systems.

Why doesn't every company have software that really works?

Maybe they're using the wrong kind of software.



Question mark photo credit: [makeitgreat](#) via [photopin](#)

## Advantages of Custom Software Systems

Custom software starts with your unique business process. Your business doesn't change to work within the constraints of the software – the software is designed and written specifically to work for your business, not to fit what someone else decides is the norm.

Here are 5 advantages of custom software systems:



1. **You own it.** When you buy custom software, you should own the application, including source code. Before you buy, check your contract to be sure this is clearly stated - not all software development firms automatically assume the software belongs to you.
2. **You decide how to change it.** With a well-designed application, you can quickly implement changes, adapt to new business dynamics, and continue to grow your business. Equally important, you define and prioritize the changes you need; you're not restricted to the new features and enhancements identified by a commercial system's users group or management team.

3. **You make choices.** If your custom software is written using standard tools such as Microsoft Visual Studio, you can choose from a large pool of consultants or hire in-house programmers to support and enhance your application. With a commercial application, you may not have the ability to customize at all, and if you do, you may be limited to contracting with one of a few, high-cost specialists who bill at rates that can average \$300 per hour.
4. **You save money on training.** It will take less time for employees to learn to use new custom software effectively compared learning a software package. Why?
  - a. The new application will support the employee's **familiar business processes.** Instead of learning how the person who designed the software does the job, your custom software automates a process your employee understands.
  - b. A custom application uses **language that is specific to your business.** A homebuilder installed a commercial package that required them to learn a new vocabulary for their company-specific terms they had been using for more than 20 years. Because the package was created by accountants, not construction experts, it replaced homebuilding terms with accounting words. For example, a "house" became a "project," and a "phase of construction" became a "task code." Every time a new employee with homebuilding experience joined the company, their system training had to include a segment on how to decipher the terminology. Don't underestimate the value of retaining your company or industry-specific vocabulary.

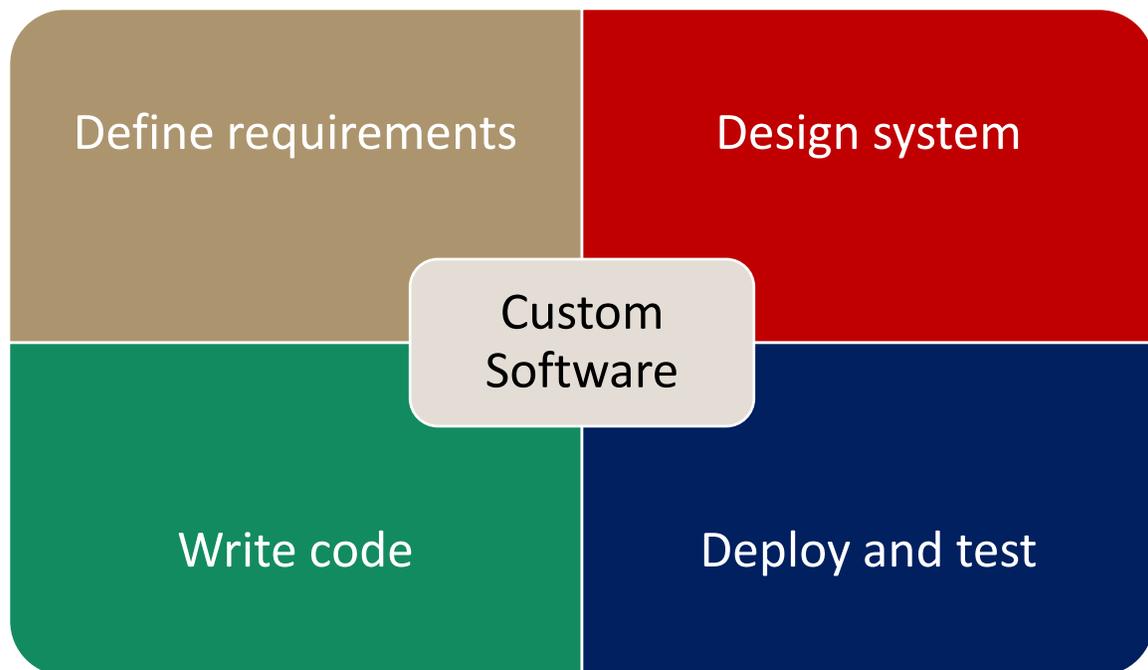


- c. Your application includes **only what you need**, avoiding “feature overload.” If you’ve ever spent an hour going through dozens of menu options and screens trying to find the function you want to use, you know all about feature overload. Because packages are written to support a very broad audience, they end up with menu options and screens for things you may never use.
5. **Eliminate annual maintenance fees.** Since you own the software, a custom application eliminates annual maintenance fees and payments for new licenses when you add employees. This can add up to huge savings when compared to paying annual fees for five or more years.

## Why don't all businesses use custom software?

If it's so great, why don't all companies use custom software?

Not all companies are ready to make the investment required to create great custom software.



If you want great custom software, plan to spend time clearly defining your vision and requirements for the system designers. You'll need a reliable project manager who will keep up with the big tasks, such as creating a project plan and schedule, as well as small, daily tasks, such as communicating with developers and business process experts. You and your project manager will need to review interim deliverables, oversee testing, and supervise the creation of documentation and training programs.

If you don't have internal resources for designing, developing, and deploying custom software, find a reliable business partner with proven software development experience. Your software is a valuable resource, so you want to find a firm that understands your business needs, has available resources to meet your project deadlines, and has plenty of experience designing and delivering software solutions for businesses.

If custom software doesn't make sense for your business, consider commercial software.

## **What about commercial off the shelf software?**

Commercial software, also called packaged or off the shelf software, includes applications ranging from Microsoft Word and Excel to large Enterprise Resource Planning (ERP) applications that include manufacturing, accounting, and sales functions.

Here are a few reasons companies choose commercial software packages.



1. **Let the experts design it.** Commercial software gives you features that subject matter experts say you need. For example, commercial accounting applications will give you a way to create your general ledger and write checks (among many other functions). The experts also define the system rules, screens, menus, reports, and other functionality.
2. **Share the cost and save?** The cost of programming is shared by all the companies that license the package; however, watch out for the “hidden” costs. For large applications such as ERP systems, in addition to the purchase price of the software, expect to pay the following.
  - a. *Service fees:* You’ll spend an additional 150% to 200% of the “purchase” price for services such as installing the package, importing existing data, and training.
  - b. *Yearly fees:* Most vendors charge annual maintenance fees of 15% to 30% of the original purchase price.

- c. *Per seat licenses*: If you pay for each person who uses the application (per seat licensing), you'll be paying more as you grow.
  - d. *Customization*: If you want to customize a package, budget for high hourly rates (\$200 - \$300) for application specialists who are the only ones authorized to do the work, and be prepared to invest time in designing what you need, managing the customization project, and testing the results. Be sure to ask other companies who have already customized the software how their custom modules worked with upgrades to the core package.
3. **Buy and install it now.** You may not have to wait for the application to be spec'd out, developed, tested, documented, and released if you can buy it and install it right away. However, you will need to spend time evaluating each commercial software alternative against your requirements and determining which one will work best for you.
4. **Share the pain.** With other companies buying the exact same application, the responsibility to request new features and report bugs is shared among many people.
5. **Access public knowledge.** With commercial software applications, you may be able to browse for resources at your local bookstore or library, buy additional documentation from a third party, access a knowledge base or users group website, and schedule public training classes locally or on the web.



Bookstore photo credit: [Natalia Romay](#) via [Photopin](#)

## Custom vs. Commercial Software: Which is better?

The best solution for your company depends on your requirements.

If your business processes are standardized and your company works just like others in the industry, a package may fit. Commercial software also makes sense when you are automating standard processes such as accounting for which core functionality remains the same across industries.

When your requirements are unique, and maintaining that uniqueness gives you a competitive advantage or is critical to your business success, custom software may be the best solution for you.

Few people love their software every day, but if you define your needs before investing in a new or enhanced system, you will love your software a lot more often than you hate it!



### About DragonPoint

**DragonPoint has 25 years of experience designing and developing custom software systems and evaluating packages based on your requirements.**

**Call DragonPoint today at 877-542-0657 to talk about your software needs and get expert assistance choosing an off the shelf package or a custom application!**



This document is for information purposes only. DragonPoint makes no warranties, express, implied or statutory as to the information in this document. The information in this paper may be reused and re-transmitted provided DragonPoint, Inc. is cited as the original owners.