Financial Service and Information System

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Mathematical Formulas

- PRODUCT A

*TCO = [(A1+A2+A3)*no. of users] + [(A4+A5+A6)*no. of CPUs] + [30% of (A4+A5+A6)*no. of CPUs] + (H/W cost) + (10% of H/W*(no. of years-1)) + (18% of License cost * (year-1)) + Implementation Cost + (15% of Implementation Cost * year-1*no. of CPUs)*

- PRODUCT B

TCO = [no. of users Initial license fee] + [subscription based fee *no. of year*no. of users]*

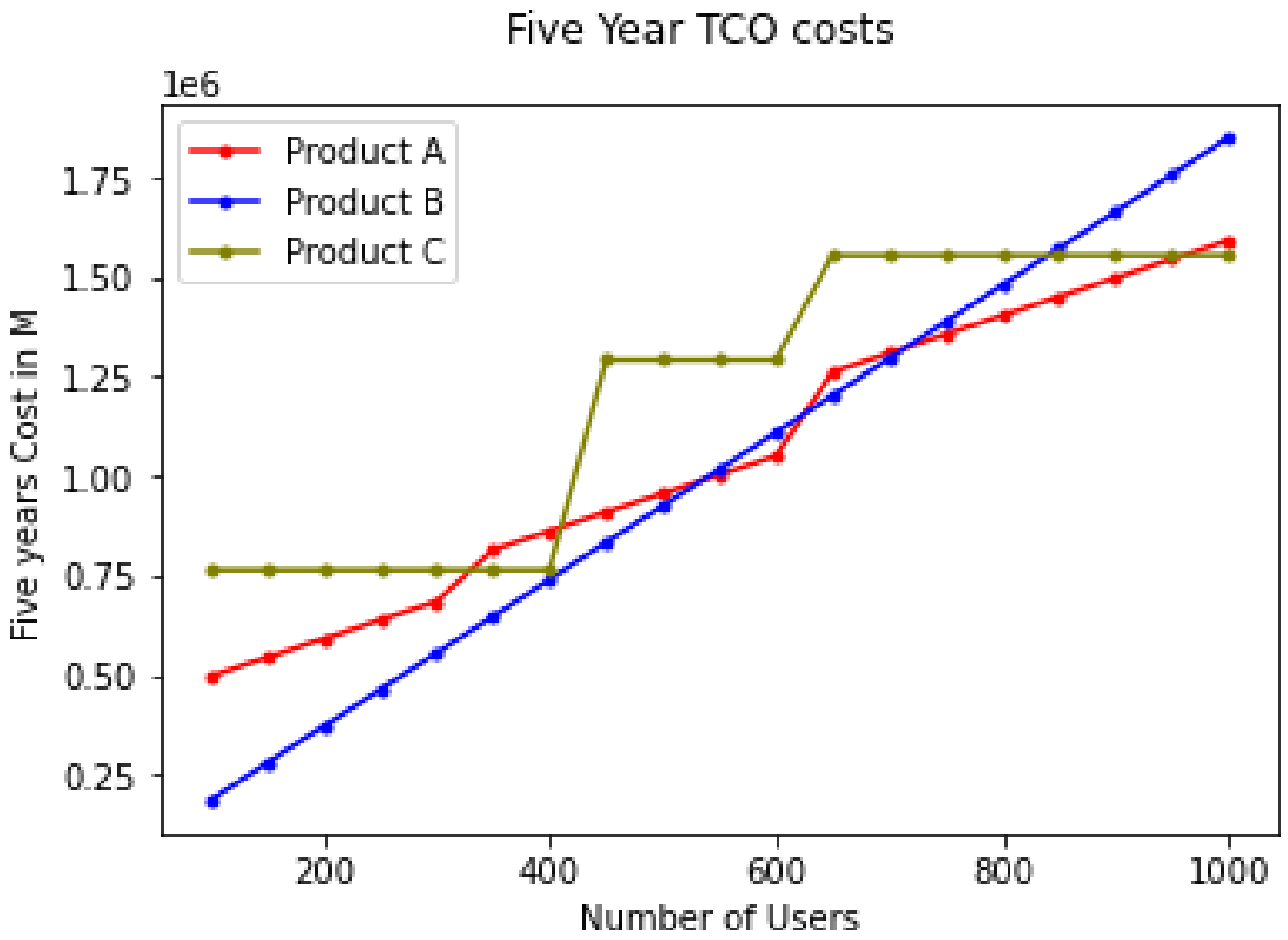
- Product C

*TCO = Implementation cost + [no. of cpu*cost of license subscription*no. of year] + H/W cost + (10% of H/W)*(year – 1)*(no. of CPUs)*

BLUE – OPEX

YELLOW - CAPEX

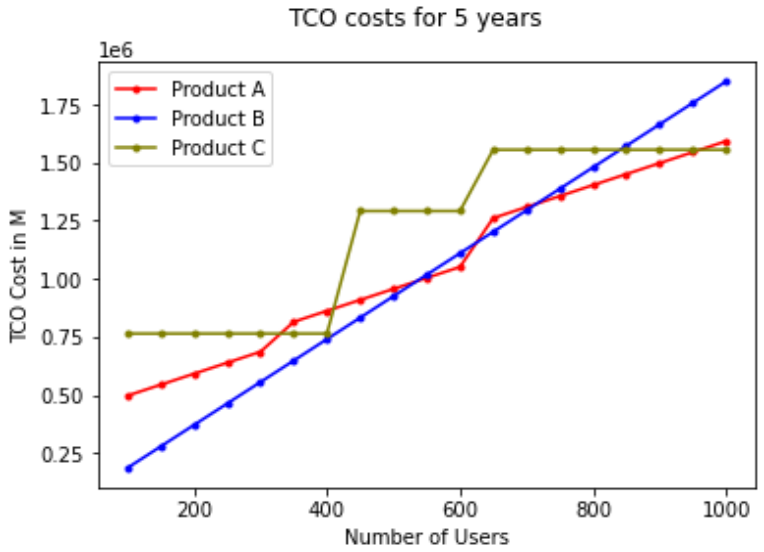
The Five-year TCO Costs of each product as a variation of number of end users (100-1000)

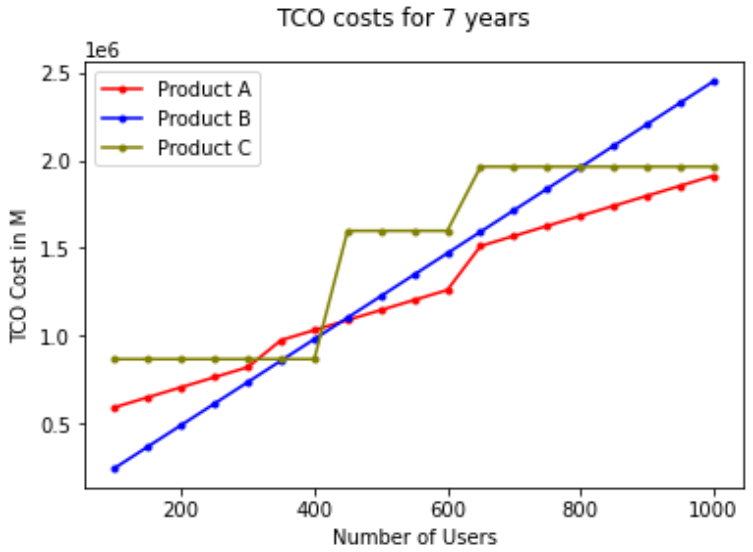


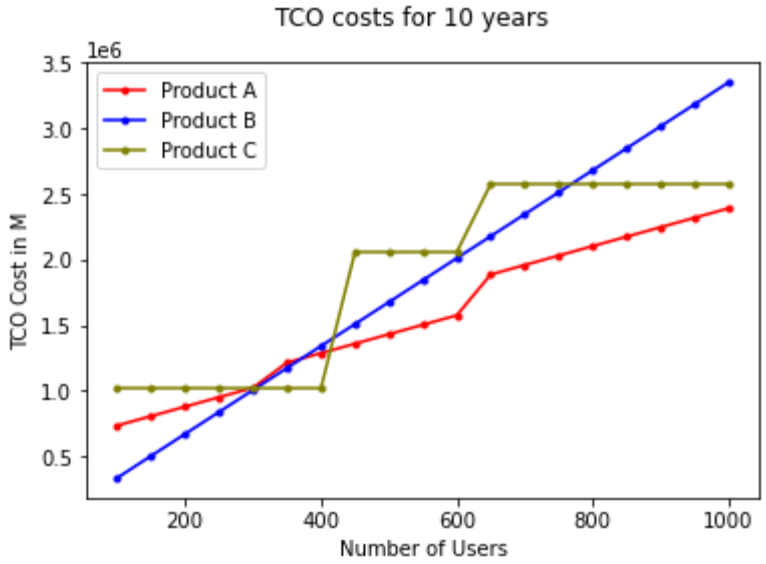
Assuming 300 end users, OPEX and CAPEX is calculated for five years.

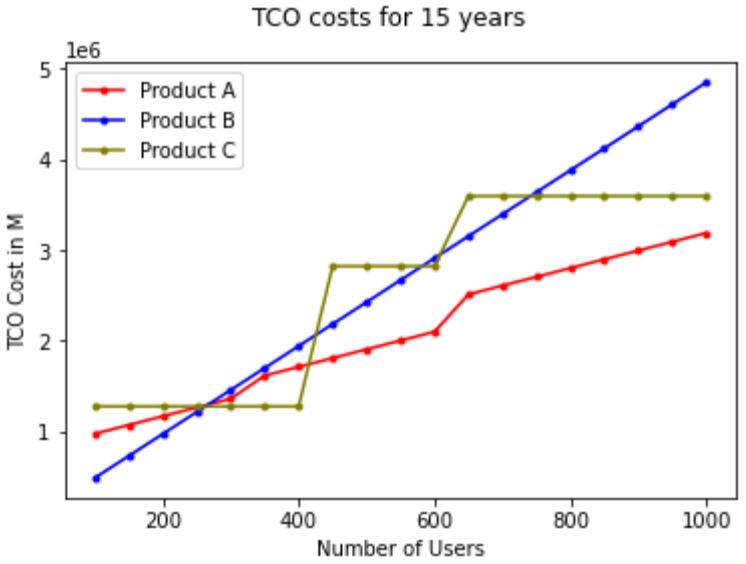
	TOTAL CAPEX	TOTAL OPEX	TOTAL TCO
PRODUCT A	416200	269264	685464
PRODUCT B	105000	450000	555000
PRODUCT C	510000	254000	764000

Comparing 5, 7, 10, 15 years TCO cost in the graph









Inference from the previous slide

- For a small organization less than 400 users and for less than 7 years of product usage, we can consider product B as the TCO is low relatively.
- It is recommended to use Product A for a Big organisation having more than 400 users which will use the product for more than 7 years and longer the year goes lesser the relative TCO cost is for Product A.
- If the organisation user count is fixed and doesn’t change a lot in upcoming years, we can consider the Product C as even if we increase number of users from 400 to 401, we get a approximate 40% increase in TCO for 5 years.

Five additional cost factors

- Human Resource: In cloud solutions, we have access to their support service when something goes wrong with the product. But when the product is local, we need a special team to monitor and give support for the product
- In-house Area Cost: Cloud solutions doesn’t require any space whereas local product needs area to place our hardware.
- Cost associated with version Upgradability
- Disaster recovery site area cost
- Furniture Cost for Hardware