



# Comparative Study Of The Three Products (5-year costs)

Presentation by: Mohammed Farhaan Ahmed



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# Facts about the products



## Product A (Commercial Package)

- Licensing is done independently on its six components. Sub-products A1, A2 and A3 are licensed per user, costing 100, 150 and 300 pounds respectively.
- Sub-products A4, A5 and A6 are licensed per CPU that uses the product, costing 5,000, 4,000 and 3,000 pounds respectively.
- Product requires 2 CPUs up to 300 users, 4 for 301 to 600 and 8 for 601 to 1000.
- License cost for disaster recovery site is 30% of the production site's licensing fee, assuming 0 users, but equal CPUs.
- 18% opex over the final license fee from 2<sup>nd</sup> year onwards.
- 200,000 pounds fee for customizations and 15% opex over the customization fees from 2<sup>nd</sup> year onwards.

# Facts about the products



## Product B (Cloud based SaaS product)

- Uses hybrid license and subscription based pricing.
- License fee is 350 pounds per user.
- Subscription based fee is 300 pounds per user annually, starting from the first year.
- Since the product is cloud-based, there is no discovery site.
- There are no customization fees for the product.

# Facts about the products



## Product C (Commercially supported open source)

- Licensing is subscription-based, costing 25,000 pounds per year for every CPU using the product, starting from first year.
- Product requires 2 CPUs up to 400 users, 6 for 401 to 600 and 8 for 601 to 1000.
- No licensing cost for disaster site.
- Customization fees for the product is 500,000. No maintenance fee for the customizations.



# Cost of the hardware

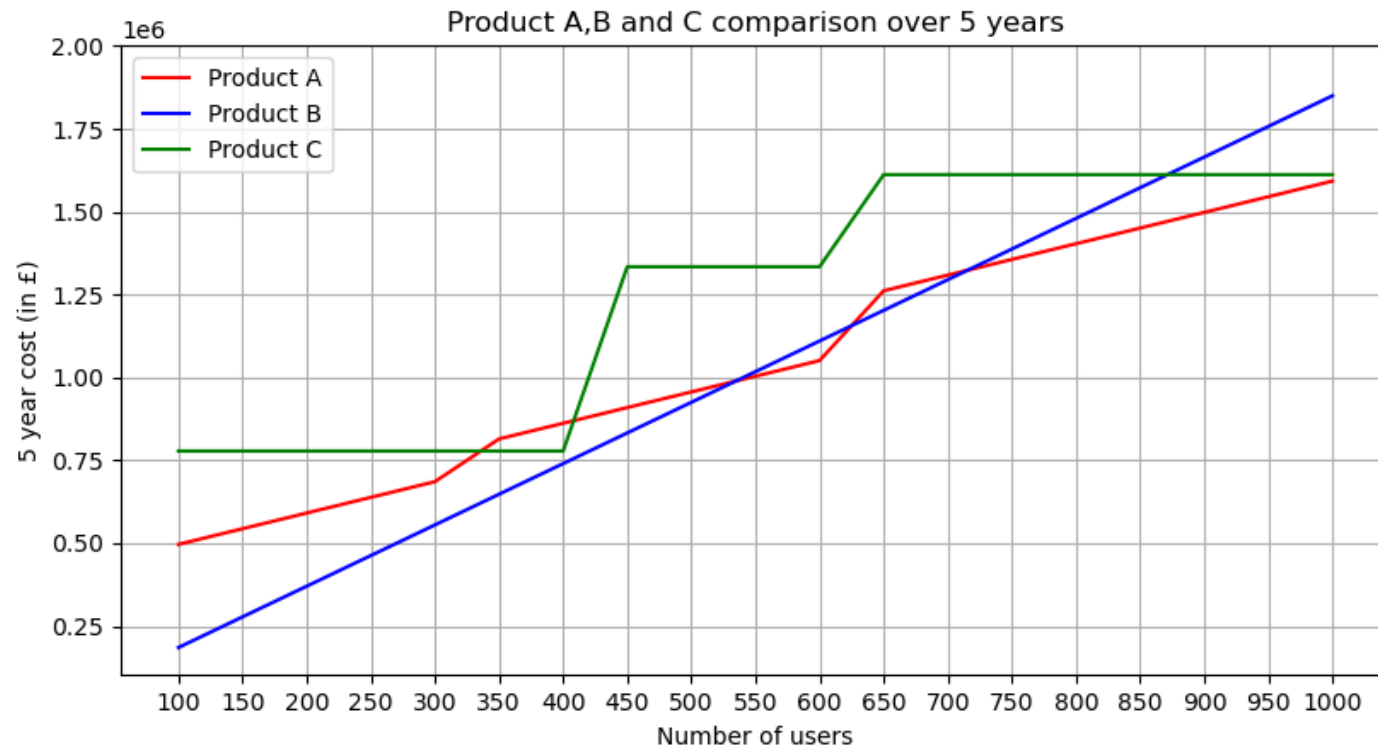


## Hardware costs

- Each CPU of the production and disaster sites cost 5,000 pounds.
- The opex for the CPUs is 10% of the total cost of CPUs, annually from the 2<sup>nd</sup> year.
- Product A and C require hardware.
- Since Product B is cloud-based, no hardware is required.

# Line graph of the products

## 5-year TCO of Product A, B and C



# 5 year capex, opex and TCO



Assuming 300 end-users:

	Total CAPEX	Total OPEX	Total TCO
<b>Product A</b>	£ 416,200	£ 269,264	£ 685,464
<b>Product B</b>	£ 105,000	£ 450,000	£ 555,000
<b>Product C</b>	£ 520,000	£ 258,000	£ 778,000

# Conclusions



- ❑ Product B's TCO grows linearly and is the cheapest for up to 500 users, but ends up being the costliest for 1000 users.
- ❑ Product C has a constant TCO for up to 400 users and a 71% increase is seen for users ranging from 401 to 600. For users from 601 to 1000, there is another 20.8% increase from the previous TCO.
- ❑ Product A has the least TCO for users from 100 to 1000, 42% of the time, (behind Product B) for 5 year TCO and grows better as the years are increased (least TCO 63% of the time for 7 year TCO).
- ❑ 7 and 10 year costs of TCO confirms that product B is suitable for a small number of users (up to 350) and grows progressively worse, while the TCO of product A gets cheaper as the years are increased, compared to the other two products.



# Additional cost factors



- ❑ **Personnel training:** The cost and time required to train the employees to use the product.
- ❑ **Cost of integration:** The cost required to check if the hardware is compatible with the product's requirements and the cost of installing it.
- ❑ **Cost of shipping:** Cost required to move the product from the vendor's to the production and disaster environment's hardware.
- ❑ **Cost of security:** Cost required to protect the product from malicious viruses and disgruntled employees.
- ❑ **Cost of delay:** Delays associated with the product that interrupt the regular workings of the bank, like training of employees to better use the product, complete back-up restoration, updation etc.