ASSIGNMENT 1

SELECTING THE BEST PRODUCT FOR BANK

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INTRODUCTION

The bank is provided with three different software products for the implementation of a new application Which are namely commercial product(product A) ,a cloud based SaaS product(product B) and a commercially supported open source software(product C). The aim is to select the product with low TCO(Total Cost Ownership) for implementation.

PRODUCT FACTS

Product A:

Its an commercial product that has six sub products namely A1,A2,A3,A4,A5 and A6. The license cost for the end users vary from A1 to A3 and the license cost for CPU vary from A4 to A6.The number of CPU's to be used also varies from 2 to 8 based on the user's count and also a **maintenance cost** of **18%** of the license fee . It also has a disaster site with **30% maintenance fee** . The implementation cost comes around **£200000** along with **15 % maintenance fee**.

Its takes **2 CPU** for **300 users**

4 CPU for **301 to 600 users**

8 CPU for **601 to 1000 users**

Product B:

Its an cloud based Saas product that uses hybrid license which costs **£350 per end user** and **subscription fee** of **£300 for each end user** and there is no disaster site and maintenance fee for the product.

Product C:

Its an commercially supported open source product with **license fee** of **£25000** for each CPU installed.It has a **implementation cost** of **£500000** and there is no annual maintenance fee .

It takes **2 CPU for 400 users**

6 CPU for **401 to 600 users**

8 CPU for **601 to 1000 users**

Hardware :

Each CPU costs around **£5000** with a **maintenance fee** of **10%** of its cost.

GRAPH FOR TCO(TOTAL COST OF OWNERSHIP)

Here the **x-axis denotes the number of users**

   y-axis denotes the TCO

The graph shows that product A and product C starts with high total cost and ends with low total cost . And the product B starts with low cost and ends with highest total cost because of its operational costs
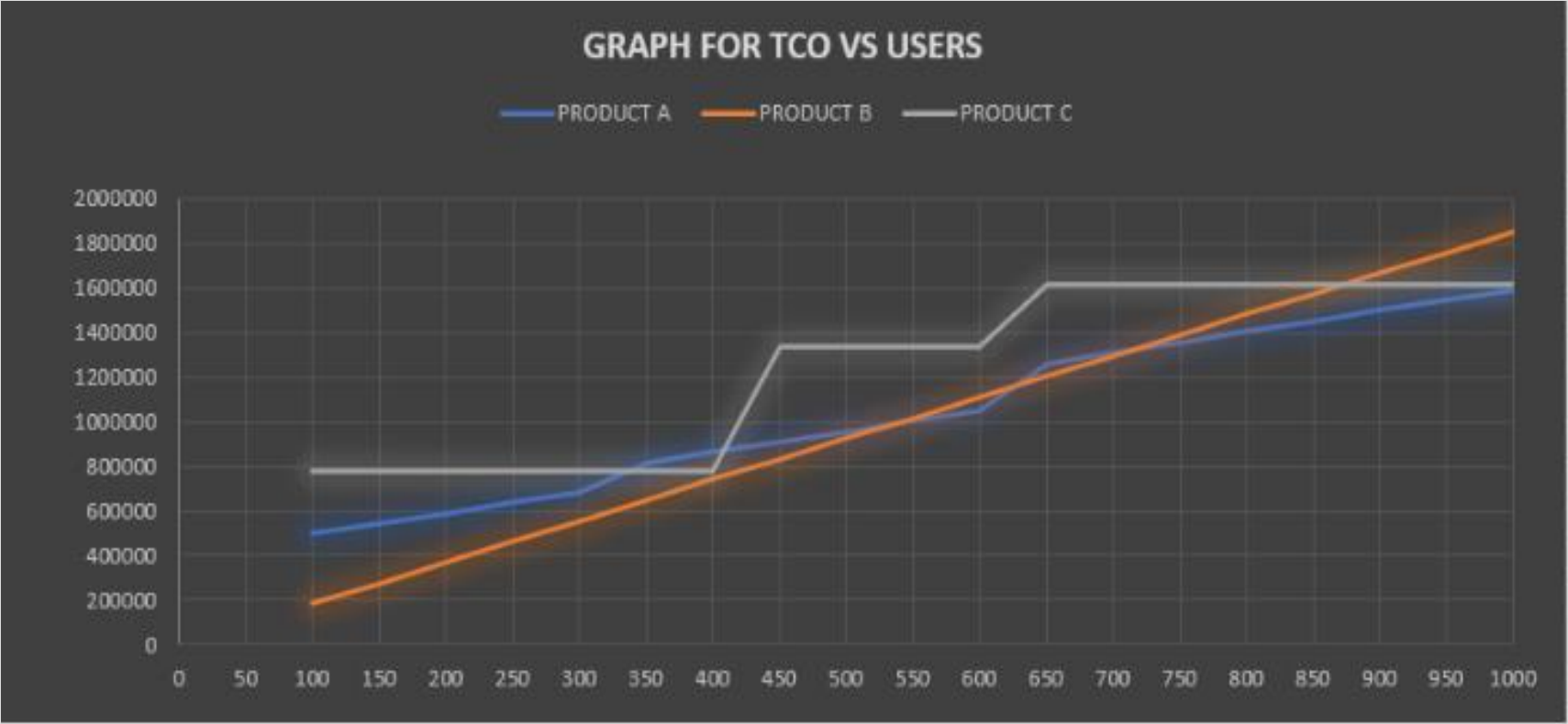
TABLE FOR CAPEX AND OPEX FOR THE PRODUCTS

PRODUCT NAME	CAPEX	OPEX FROM 2ND YEAR	TCO 5YRS ODJDJ	TCO 7YRS	TCO 10 YRS	TCO 15 YRS
PRODUCT A	416200	67316	685464	820096	1022044	1358624
PRODUCT B	195000	90000	555000	735000	1005000	1676200
PRODUCT C	570000	52000	778000	882000	1038000	1144200

Here the opex(operation expense) mentioned as "Opex from the second year " states that the Opex is calculated with cpu's maintenance cost.

The other factors that affect the TCO are

- **Staffing and labour costs**
- **Security cost**
- **Cost for bug fixing**
- **Downtime cost**
- **Data centre cost**

CONCLUSION

Based on the graph and table, the capex(capital expenditure) for the product c is higher in comparison with the capital expenditure(CAPEX) of product A and product B . But the Total cost of ownership is not only calculated based on Capital Expenditure , it also includes operational expenditure(OPEX) .The operational expenditure of the product B is high and it will affect the total cost of expenditure(TCO) over the years. Therefore the **product C would be best option** for the company because of its **low operational expenditure cost(OPEX)**.