

Lumber Software Costs: Things to Consider

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June 29, 2007

Licensing enterprise resource planning (ERP) software, also known as enterprise systems, can be confusing for small to mid-sized businesses (SMBs) in any industry. This is particularly the case in the conservative lumber industry where software technology is slow to be adopted for many reasons, including price and complexity.

Large lumber companies that use top of the line accounting systems such as Microsoft Dynamics, SAP Business One, or Oracle have a good understanding of software licensing because they have had a lot of practice, and have gone through the licensing process for several years. A growing lumber company that uses Microsoft Excel, QuickBooks, Peachtree or a home grown solution, however, and is looking for a better solution can simply get lost when it comes to software licensing and its intricacies.

This article is meant to provide lumber companies with a better understanding on how industry specific enterprise software licensing works. It is important to take note that there are numerous generally accepted ways software is licensed, but we will only cover the most popular models. [You may also come across hybrid models, where vendors choose different options from a range of licensing models, and present it as one model.] When considering the total price of a software package, the licensing structure of Lumbergear provides you with the best of both worlds because you have the opportunity to use top quality software at a price that you can afford. Let us look at a typical scenario of a small lumber company that has annual revenues of 2 million dollars and requires 5 users for a lumber software package. In our industry, for a typical system, this company would be required to pay between \$50-60K, excluding license and maintenance costs.

For a small lumber operation, there is simply no way they can really afford this, in addition to battling slowdowns in the market, employee wages, equipment expenses (planers, kilns, etc), insurance expense and warehouse costs to mention a few. As a result, the only real option a small lumber company has is to continue to suffer with the current system, and keep using their home grown Excel spread sheets or custom databases. To be fair, these home grown solutions are far better than keeping records on paper, however they are extremely inefficient when you compare them to a quality ERP solution such as Lumbergear (www.lumbergear.com) from Unique Data Solutions, LLC (www.udatasolutions.com). Employees tend to make lot of mistakes with these home grown solutions, enter redundant information, and spend a lot of time on data entry and tracking information instead of focusing on serving their customers.

While these home grown solutions can be used in solving a very specific business problem (e.g. a spreadsheet to store lumber inventory), they are not ideal for serious lumber companies. Spreadsheets have serious drawbacks, and it is difficult to find information quickly. They also do not have a way of validating that information was correctly entered, and offer limited protection against employees accidentally corrupting company data. Spreadsheets are not ideal for multiple users accessing the

same information because users tend to get locked out, and cannot change information unless another user gets out of the spreadsheet. With spreadsheets and most home grown solutions, employees tend to work in isolation instead of working as a team. There is no winner in this situation, and everyone loses because the left hand does not know what the right hand is doing.

In the end, the customer is ultimately the one that suffers. They receive late products due to delays in order fulfillment, or they receive incorrect products as a result of simple employee errors. **Regardless of which way you look at it, the customer pays more in the end, and is not satisfied. Lumbergear solves these problems by providing SMBs in the lumber industry with top quality software that any lumber company can afford.**

There are several types of software licensing models. One model is named licensing, which requires a company to pay for each individual software user. In this model, if one employee is out of the office or on vacation, another employee is not allowed to use the software.

Another model is a perpetual license that requires you to pay a one-time license fee, excluding yearly maintenance costs. This model requires you to pay huge upfront costs for unlimited users, and does not require you to renew your license annually. With a perpetual license, you are only responsible for maintenance licenses that cover technical support. Perpetual licenses tend to be cost effective for very large companies, but the user does not benefit from software updates which are crucial. The site license is similar to a perpetual license in the sense that it is used by large companies to ease the stress associated with keeping track of individual user licenses and their increasing costs. Unrestricted site licenses allow anyone or everyone in the company to use a piece of software at one time. Some site licenses have restrictions on the number of users that can access the system at one time.

Lumbergear features concurrent user licensing which gives lumber companies greater flexibility without any minimum user requirement. This model is ideal for small to mid-sized businesses (SMBs) because you only pay for what you need, when you need it. In addition to this, **all the core modules in Lumbergear are bundled;** you do not need to pay to use an additional module in the system. We believe that before a company or an information system can be truly successful, effective collaboration needs to take place that allow everyone to work as a team. For example, it does not really make sense to have an inventory module, without having a purchasing and logistics module because you need to buy and ship lumber before you can receive it in stock. Lumbergear provides you with all the tools and modules you need to run a successful lumber business right from the very start.

Our concurrent user licensing model means that you only pay for the number of users you want to access Lumbergear at the same time. Your ability to use Lumbergear is not restricted to specific employees, but there is a cap on the number of users at any given time. For example if a lumber company has 10 employees, but needs only 5 users to have access to Lumbergear at the same time, then they would only need to purchase a 5 user license and not a 10 user license. In addition to concurrent user licensing, companies are also responsible for maintenance fees that cover technical support.

Another concept that companies have to understand is that of maintenance license. This is synonymous to technical and software support. A software license generally covers software upgrades

whereas a maintenance license covers the cost associated with providing technical support. Most software vendors charge for both license and maintenance fees, however some companies only charge license fees for software upgrades, but allow local support partners to provide the actual technical support while charging their own maintenance fees.

In conclusion, in purchasing software, lumber companies should consider the quality of the software, its ease of use and **the bottom dollar cost**. Because it directly affects the cost and feasibility of the overall system, it is important to understand how your software package is going to be licensed.