



MOVING FROM QUICKBOOKS TO ERP



INTRODUCTION

Many companies start out using an introductory system like QuickBooks- and why shouldn't they? QuickBooks is a well-known solution that is easy to use and fills the needs of a small company. But over time companies grow and begin to experience some of the common hassles and expenses of using a system that can no longer handle the changing requirements, processes, and accounting needs of a larger business. When this happens, businesses may see an increase in the number of manual and paper processes outside of their QuickBooks system required to keep up with the new processes, accounting, and reporting complexities. This translates into much more time, resources, and money needed to gather and analyze financial data. As a growing company you recognize the need for more visibility and additional functionality to truly thrive. So, you make the decision to move from QuickBooks to a larger and more robust system; but at what cost?

As with any software purchase, there will be an investment required to move from QuickBooks to a more robust ERP system; but the ROI and new level of insight and control over your finances is well worth it. But how much of an investment should you make? How big a system do you need? This white paper covers a few of your options and tips on how to budget for the move.

Entry-Level Accounting

Companies can buy a business system for almost nothing when they are small and still building and growing their business. A subscription to QuickBooks starts at just \$12.95. You can barely eat at McDonald's these days for that little investment. Even QuickBooks Enterprise is very affordable at less than \$10,000

for a growing business. But there is one thing that makes the leap from QuickBooks to ERP a big one for most companies – implementation services.

When you start a business using QuickBooks, you can probably implement the software yourself or maybe you watch some tutorials and hire a consultant to help you with a few things. There are a lot of QuickBooks consultants and most charge relatively low rates ranging from \$75 per hour up to maybe \$125 per hour. Even if your business is relatively complex, you may only be looking at 40 hours of assistance. That's only \$5,000 on the high end. So for \$15,000 you can get a scalable entry-level business system up to 30 users fully-installed, configured, and ready to use.

Based on our experience, a company will typically use QuickBooks and some add-on extensions until they reach as high as \$5 million to \$10 million in revenue or 20-50 employees.

Entry-Level ERP

The next step up from QuickBooks is a big one for most businesses. Products like Sage 100 (Sage MAS 90), Microsoft Dynamics GP (Great Plains), etc. typically cost about \$2,000 per user when you consider the total cost for the required modules. A manufacturer or distributor with 10 users is looking at a minimum

of \$20,000 for the software license. But the services to implement these systems is almost always a 1-to-1 ratio meaning that they're looking at another \$20,000 to implement it due to the advanced features and options available. Consultants in this range typically charge between \$150/hour to \$200/hour with the average being around \$175/hour in most geographies (more in large metropolitan areas and less in more rural areas). This equates to about 114 hours of consulting.

So the jump from \$15,000 at the high end of QuickBooks to a moderate entry-level ERP system at \$40,000 is a pretty big jump – an increase of over 60%. Companies can generally use entry-level ERP systems like those offered by Sage and Microsoft until they reach maybe \$20 million to \$50 million or up to 100 to 250 employees.

Add-On Options

So what does a growing company do? They use QuickBooks or their entry level ERP for way too long. As these companies grow larger they buy add-ons and implement disconnected systems to handle the things QuickBooks or their entry-level ERP system doesn't do, and they use Microsoft Excel and common business tools to do the rest. Basically, they make do with what they have with marginal improvements until they get to the point that they can justify the investment in a true ERP system. There are very, very few products that bridge this gap – especially for smaller distributors and manufacturers who often require the same advanced functionality only available in larger systems.

One product that fit this segment was DBA Manufacturing – a general manufacturing add-on that included its own accounting but was also available for integration with QuickBooks. The product is still available today for \$3,000 for five users. This is a pretty good option for companies that are ok with taking a small step in advanced features without the high cost. There are a few other (albeit limited number of) solutions on the market for growing distributors and manufacturers.

We developed Anytime Supply Chain for this market segment. QuickBooks and even products like DBA offer limited supply chain management capabilities. One consideration is that companies can usually use QuickBooks for general accounting for a very long time, but they outgrow the operational side of the product very fast. Anytime Supply Chain allows a company to continue using QuickBooks and other general accounting systems but extends it with a much stronger operational system. Anytime Supply Chain is a cloud-based system providing demand forecasting and more advanced distribution requirements planning (DRP) and material requirements planning (MRP) capabilities.

Mid-Market ERP

The next step up from Anytime Supply Chain and Entry Level ERP systems is again, a much larger jump in terms of cost and complexity. Epicor, for example, is one of the leading midmarket ERP providers for manufacturers. Software alone will cost about \$5,000 per user (same for most similar competitive products). So, a 10 user system will be around \$50,000. But in this market segment, the implementation will be at least a ratio of 1:1.5 if not closer to 1:2 software to consulting. Consulting rates are about \$175 to \$225 per hour for experienced consultants. So, a \$50,000 investment really means a \$125,000 to \$150,000 investment for a fully implemented solution. This is still money well spent but it may simply be out of reach for smaller companies.

Companies typically move to mid-market products like Epicor when they've reached about the \$20 million revenue mark and have over 100 employees. Note that many companies can move straight from QuickBooks to mid-market ERP products – especially if they've added on operational solutions like Anytime Supply Chain.

Enterprise ERP

When a company grows further, typically beyond \$1 billion in revenue or over 1,000 users they most often start considering tier one ERP systems even though systems like Epicor can scale this high (and much higher). Tier One ERP systems like SAP and Oracle are designed for larger enterprises and are very costly. The price is usually at least \$10,000 per user and the implementations are historically at 1:3 to 1:4 for software to consulting costs. So, a company with 50 users will spend approximately \$500,000 on software and an additional \$1.5 MM to \$2.0 MM in consulting services. Implementation services are not cheap and run from \$250 to \$300 (or more) depending on the specialty of the consultant.

Accounting & ERP Cost Comparison

Since implementation costs are such a large part of the solution, comparing costs are often difficult. One way to compare apples to apples is to look at the implementation and training costs in terms of dollars per system user.

ERP Budgeting Tips

There is no easy way to estimate how many users you'll need or what type of investment you might need to make in a business system but here are some suggestions based on our experience working with companies in a wide variety of industries to help you with your budgeting while you build a business case for next generation ERP:

Consider 1 user per every 2 employees. This can be 1 user per every 4 employees in environments such as manufacturing where employees such as laborers often do not need direct access to the system or in industries like professional services where many employees will simply access a time entry system as opposed to the full project-based ERP system.

Consider that most companies should spend at least 1% of their annual revenue on a new business system. This means that a \$1 million business should expect to spend \$10,000 on a business system (software and consulting) while a \$10 million business should budget closer to \$100,000, and a \$100 million business should budget \$1 million to purchase and implement a new system.

Most companies across industries average at least \$100,000 per employee. If you're looking to budget your ERP system by employee size, then plan on spending about \$1,000 per employee on a new business system. This is actually a great way to look at the investment. Since most companies keep their business software for close to 7-10 years, this means your initial investment is about \$120 per employee per year or \$10 per employee per month.

You can purchase less expensive software and you can find less expensive implementation resources, but this is very risky. Since this is a major capital investment that you don't want to do again for another decade – it's best to do it right the first time and a failed ERP implementation has killed many companies. Budget appropriately and do not sacrifice the success of your project because you short-changed the implementation.

Implementing an ERP system is much like having a brain transplant while you're wide awake. It is going to be a painful process transferring the knowledge you have accumulated to your new brain – all the while continuing to operate as if nothing has changed.

CONCLUSION

Companies often grow slowly and over time come to the realization that their current business software is lacking the capabilities they need to remain competitive. While their accounting requirements may remain relatively unchanged and are supported just fine with their existing system, they often feel a lot of pressure due to the inadequacies of their business system in respect to operational and supply chain features. Most accounting systems and ERP systems have basic payables and receivables but there is a QuickBooks doesn't offer a robust bill of material and even midmarket systems from Sage and Microsoft don't have all the supply chain features needed for a growing company. Businesses can augment their existing systems by integrating third party products, developing work-arounds, using manual systems and spreadsheets, or by hiring consultants to build them additional features but inevitably they will have to switch their ERP systems if they want to remain competitive.

e2b technologies helps companies to augment their QuickBooks business systems with advanced supply chain management functionality, and receivables and collections management software (Anytime Collect). The company also implements leading mid-market ERP software from Sage and Epicor, helping companies migrate their data while building-out a complete business solution through customization's or integration's to specialized line of business applications. [Contact us](#) today for a free ERP System Check-Up to find out if you've outgrown your current business system or if you can extend it with our expertise