



Return on Investment

February 1, 2005

ROI on Software?

“The reality of the commercial world is that software development is an investment.”
(The New ROI in Software Development by Mark Denne, Jane Cleland Huang.
www.iformit.com, Feb. 27, 2004).

Recently, as a widely used program such as Guest Tracker (originally designed by Munsenware.com) is being retired, many innkeepers are again looking at the question “What is my **return on investment**” on reservation and property management software?

This is a complex question to consider. Any property management software is a powerful tool, and can be used to create more targeted marketing, or provide better analysis of occupancy trends, which can certainly have a **positive** effect on a property’s revenue income. For the innkeeper who does not utilize reporting and guest management portions of the program, the return on investment may certainly be less. If one takes a closer survey of innkeepers who use property management software, their perspective of a software program’s value will vary greatly depending on the scope and depth of their comfort and use of the program.

Although property management software has certainly gained wider usage throughout the B&B industry, its place in a typical property’s budget still varies widely. Perhaps some innkeepers mistakenly see it as a “long term” asset because it was included in their “Start-up” costs. Software should NOT be compared with investing in long term assets, such as furniture or renovations.

Stewart Whyte, author of “Starting & Running a B&B” suggests including software and technology costs along with other fixed budget items such as Internet connection, phone lines, lights and electricity. It’s simply a cost of doing business.

I have conversed with more than one innkeeper who expected their one-time software or computer purchase to last for at about a decade. But unfortunately, “built-to last” is simply not a reality in the software industry. If you hadn’t noticed, since the time of Microsoft, software is named according to the year (Windows 95, 98, 2000 etc.). A software version’s lifecycle is not intended to last more than one year or two! If you want to take issue with that reality – you’ll have to talk to Bill Gates! Every software program in the market is expected to meet the requirements of the latest Windows operating systems.

What can be expected in a software upgrade? Most software vendors enhance features and usability as they upgrade to meet new system requirements, which all benefits the innkeeper. In some cases, a group of users are migrated to a completely new software product. This rarely happens, and only in cases where a product is sold, or an old operating system (such as DOS) becomes obsolete. What would have kept



Return on Investment

February 1, 2005

a well-performing product like Guest Tracker by Munsenware in the market? Maybe a simple increase in prices? You decide.

As you start the New Year, or as you consider a change in your software provider keep all your options open. A new, increasingly popular alternative is to lease your software. If you are tired of migrating from one system to another, leasing is a sure way to eliminate those headaches!

The advantages to leasing vs. a one-time purchase are as follows:

- Free upgrades on all releases
- Technical support ALWAYS included
- No hardware upgrades required
- Firewalls and backup services are no longer your worry, but provided along with your leasing application services

Since property management software is a cost of doing business, a flat monthly leasing option may fit well with your software needs and budget and offer you peace of mind!

What about the position of some innkeepers that property management software is simply overpriced? Another independent, reservation-based service industry is the hair salon. Salon appointment software is actually a little more expensive than what is found in the B&B industry. Basic scheduling software ranged anywhere from \$700-\$1995.00., and many others are available through "subscriptions" only of anywhere from \$550/year to \$1200/year for small salons with only a few users and single location.

Could it be that B&B software vendors who have left the industry were not bold enough to increase their prices to a level that will keep their businesses profitable enough to continue serving their clients well? The small property industry has come through the last few years partly because they were not afraid to price according to their value of service and accommodation.

Anyway – if you are an innkeeper looking for cheaper software, don't try to purchase hair salon scheduling software. You'll be disappointed!



Return on Investment

February 1, 2005