**Build vs. Buy**

Your company has just approved a $1M yearlong software project-an internalized platform to be used for all employees, 750 in total. Your job as Lead Project Manager is to help decide whether to contract a vendor to utilize their pre-developed platform or do it in-house.

The vendor’s platform is considered “out of the box” software, meaning all the features have already been decided. Their contract stipulates there is a time minimum for using the platform. A minimum of 12 months is included in the contract, with a penalty of 25% the entire cost if the contract is broken prior to the end of the engagement. There is a onetime installation cost for the platform to be installed across the network: $75,000. The yearly cost to run the platform is $100,000, broken down in monthly invoice statements. The platform then cost $50/month per user and $1000/month per admin. The plan recommends that two full time employees are hired to manage the bug triage, installation, and other duties essential to platform management, taking on the “admin” role. The salary for each of the employees would run $75,000/per year. Additionally, should the contract continue after 1 year, an upgrade cost of $50,000 will be charged every 2 years. Currently, the software is due for an upgrade in December 2018.

To build an internal platform, the first thing to setup are the servers which will host the platform. Your company has an established relationship with Amazon Web Service (AWS), and the monthly cost is $1,200/month per server. You would allocate 1 server for every 150 employees. Since you don’t have a dedicated support staff, you will need to hire contractors to complete the work. You are based in Philadelphia, PA and your two options to hire contractors are San Francisco, California and Kuala Lumpur, Malaysia. The platform will take 50 weeks to complete with 4 full time contractors, and contractors charge by the hour. San Francisco charges $250/hour per contractor and Kuala Lumpur charges $75/hour per contractor. Additionally, you will need a UX/UI designer for 100 hours to finalize the design for the site. These contractors run around $85/hour. A business analyst will need to be hired to control the documentation at $85,000/year. Finally, you will need two full time employees to manage the project and incorporate new changes, both salaried at $80,000/year. After the first year, once the platform is up and running, you will keep one of the project manager part time for 50% of her time (or half a headcount/FTE).

**Questions to be answered**: (show your work)

1. How much will it cost to buy the platform?
2. How much will it cost to build the platform?
   1. Which location would you chose for contractors?
3. Would you choose to buy or build the platform?
4. Would your decision change if the project would be approved for 2 years? If yes, would you buy or build the platform?