

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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306 | ERP Systems

How is Xero different to ERP systems?

ERP Systems

Why and when would you change from Xero to an ERP? And how do ERPs work and charge?

These are just some of the questions Jeri Wambeek of [WAO Connect](#) will discuss with you in this episode.

Here is what we learned but please listen in as Jeri explains all this much better than we ever could.

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ERP Systems

ERPs are very different to Xero and you can break those differences down into four categories:

1 – Flexibility

Xero is an out-of-the-box solution to which you attach other apps that are all also out-of-the-box solutions. You can't change the way they work or even connect to Xero.

ERPs give you a lot more flexibility. Everything is up for grabs. You can change anything and everything, which you can't in Xero.

2 – Functionality

ERP systems just have a lot more functionality. There is a lot you can do with the right ERP system, which you couldn't in Xero. For example batch tracking.

3 – Integration

Although most Xero apps claim to be fully integrated with Xero they usually aren't. The integrations are often very limited, although there are some exceptions where the integration goes much deeper, but never all the way.

In ERP systems you usually get a full integration, with one exception: Tax, BAS and in some cases also STP. You usually need a separate app or Xero to streamline your tax, BAS and STP lodgements.

And some ERP systems even struggle with bank feeds, which seems to be hard to fathom in 2021.

4 – Cost

And then there is the cost of all this. ERP systems are a lot more expensive than Xero. You can spend \$1m or more on an ERP system.

And ERP systems usually come with high up-front costs to implement and customise, which you don't have to this extent with Xero.

And when you are in e-commerce, some third-party integrators charge astronomical fees because, "Hey, you are on an ERP, so you clearly can afford a few thousand USD to pay for an integration."

Summary

ERP systems give you more but they also cost a lot more.

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