



## How Much for an e-Business Website?

How much for an e-Business Website? - a valid question in today's "e" driven economy. However, before we attempt to answer "How much?" it's important to stop, reflect and ask, "Is it really an 'e' driven economy?" The answer, surprisingly maybe, is a definite NO! The economy is still driven today, just as it has been for thousands of years, by providing value for which people are willing to pay.

The evolution and ultimate explosion of the Internet has not changed this fact, and to answer the question of "How much?", we must define the question of "What value are we providing for which people will be willing to pay?"

Successful e-Business ventures range in cost from five hundred to fifty million dollars and, not surprisingly, unsuccessful ventures have the same cost range. To determine how much to invest in any given site, we need to address and define what it is we seek to accomplish based on:

- What our customers want/need
- What we can afford to provide

Furthermore, we need to address how we will attempt to accomplish our defined objectives:

- Do we want just a simple Website?
- Are we going to provide our entire inventory for sale over the Internet or just selected items?
- Are we going to reduce costs by integrating our production and sales capacity?
- Are we going to integrate our Website with our current inventory system?
- Will we provide pricing specific to our customers or simply list prices?
- Will we offer suppliers access to our internal system?
- Will we accept credit card transactions over the Web and, if so, will we process them manually or automatically?
- How do we guarantee the security of our data if we move to allow access to our main system?
- Do we have the resources to maintain a current Website?

- Will we migrate all of our customer services to the Internet?

These are just a few of the many questions that need to be asked. In fact, sometimes the deluge of questions is so daunting that existing business people turn to more familiar ground, and start-ups revert to something seemingly less technical.

However, the fact that e-Business is so new to so many is often the largest obstacle. Once we connect with the familiar ground of *what value we are providing*, the next steps are manageable, specially with good advice from someone with experience in the e-Business arena. With such a deluge of questions and a plethora of choices available, confusion is often the greatest barrier. This increases the importance of recognizing that our economy is, in fact, not "e" driven, but rather "**e**" **facilitated**. The Internet is merely creating new ways to provide old-fashioned value.

### **Defining your requirements**

So, before the question "How much?" can be answered, the parameters of your e-Business objectives need to be defined. We suggest the following three steps:

#### **Step 1 - Clearly define the benefits**

Clearly define the benefits you will provide in order to determine your business requirements. Thoroughly defining the benefits early on will lessen the need to make changes later in the process, and, in the long run, will result in saving time, money, and effort. Detailing the requirements can be an arduous task, especially in a larger project or start-up in comparison to a small site. However, this process is essential, because it will also provide the opportunity to discover issues and benefits you may not have considered.

#### **Step 2 - Investigate the ramifications**

Investigate the ramifications of your intended business requirements. The result will be a list of requirements in terms of people, software, equipment, and maintenance. At this point, you may wish to engage professional assistance or that of a confidant. An outside perspective can be of great value, because there are many ways to approach the project, and "information you do not know that you do not know" and a different perspective can be crucial to your success.

#### **Step 3 - Provide a list of requirements**

So vendors can accurately determine the costs of production and maintenance, provide them with the list of requirements created in Step 2. Vendors can be a great source of information as long as YOU have played a key role in defining the requirements to ensure that it is your vision and not someone else's. Dependent on each vendor's abilities and experience, there can be a wide range in solutions, approaches, and prices. Take the time to understand each vendor's proposed solution, asking for clarity or definitions of language or "benefits" that you don't understand. The vendor's stage pitch can be very beneficial to your project, even if you decide to move forward "in house".

### **Objectives and Benefits**

The following is a partial list of objectives that an existing company or start-up "e" company might seek to accomplish through use of the Internet as a medium for conducting or enhancing business (this information is supplied courtesy of the Canada/Manitoba e-Business Service Centre):

- Researching the marketplace and new products

- Monitoring business prospects and competition
- Improving customer service by :
  - Measuring customer satisfaction
  - Analyzing customer needs
  - Processing customer needs
  - Monitoring customer complaints
- Tracking customer preferences
- Forecasting demand, defining new product requirements, and developing new products
- Planning production
- Branding and promoting the company and its products and services
- Improving fulfillment commitments by automating:
  - Entering and fulfilling orders
  - Invoicing and collecting
  - Providing after sales support of products in-use
- Measuring product quality
- Educating value chain partners
- Streamlining human resource functions
  - Defining future skill needs
  - Training employees
  - Hiring personnel
  - Negotiating contracts
- Managing projects
- Selecting and certifying value chain trading partners
- Managing assets

The potential benefits resulting from these objectives might include:

#### **Administrative**

- Interacting with suppliers, partners, and customers to transmit inventory data, purchase orders, and design specifications, in a timely fashion
- Synchronizing behavior with trading partners in the value chain to improve process
- Understanding the organization's buying behavior to more uniformly implement procurement policy
- Incorporating sales, procurement, and promotional plans of suppliers and customers in the organization's forecast
- Engaging in collaborative forecasting and automated replenishment mechanisms to improve supply chain integration (quick response)
- Facilitating internal communication between departments, divisions, and organizational units or employees at regional or remote locations
- Using an extranet and groupware with customers and suppliers to deal with problems as they occur, and improve communications
- Implementing data warehousing technology to support decision-making throughout the organization
- Sharing shipping status, inventory, and order status information with suppliers and customers
- Enhancing collaboration with trading partners
- Improving information flow
- Improving documentation and transfer of know-how
- Reducing errors and duplication of efforts
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#### **Financial**

- Increasing profits
- Increasing revenues
- Reducing transaction costs
- Increasing market share
- Lowering cost of inter-company interactions
- Realizing savings and improvements in the purchase of inputs
- Lowering information processing costs
- Reducing marketing, order entry, and supply chain transaction costs
- Reducing costs to identify prospective customers and suppliers
- Reducing overall costs to negotiate and control contracts and conditions
- Lowering procurement costs through more efficient markets
- Improving service levels while lowering operating costs
- Reducing support costs for channel partners and end-users
- Lowering transaction costs (per purchase order and per invoice)
- Reducing receivables
- Optimizing payables

### **Marketing**

- Providing better information about product and service offerings to customers
- Gaining a better understanding of market demands and the allocation of just-in-time manufacturing
- Capturing downstream point of sales data
- Responding quickly to customer needs
- Enhancing customer satisfaction and support
- Delivering product offerings to new, remote, or broader marketplaces
- Developing and delivering new goods and services
- Differentiating between products and services (avoiding commodification)
- Customizing services to customers
- Enabling customer self order entry and price checking
- Enabling customer-managed inventory
- Enhancing customer relationships
- Creating foundations for customer loyalty

### **Production/Service delivery**

- Delivering intermediate or end products and reducing cycle times in a timely fashion
- Posting production plans and demand data on an electronic network so that supply chain trading partners can make real-time operational adjustments
- Managing the supply chain more effectively to reduce average inventory, and thereby the average cost of production
- Reducing error rates-Increasing cycle time
- Providing 7/24 service and direct access to customers
- Improving productivity
- Optimizing materials and capacity globally
- Expanding production, efficiency, and velocity
- Optimizing utilization of manufacturing capacity
- Optimizing logistics (reducing empty movements)
- Increasing efficiency of product development

### **Pricing**

In the previous section, you observed that the possible number of options and subsequent questions is potentially exhaustive.

If you were to ask a homebuilder the simple question "How much for a new house?", you would certainly receive a puzzled look. If the homebuilder did provide you with costs without your specific direction, the costs would reflect the homebuilder's assessment of the home you require. You would, in all probability, receive a house, but would it be the right house? In order to accurately price your dream home, a homebuilder would require a blueprint and other information detailing all aspects of the house, including timelines, location, and exact layout. Your Website and the process of receiving quotes for its construction is very similar in that it requires your clearly defined requirements (your blueprint) in order to receive accurate quotes that can be compared.

### **Obtaining an accurate estimate**

We recommend the following process for obtaining an accurate estimate and securing a contractor for the development of a Website according to your specifications:

1. Define and document the site outline based on the functional requirements as discussed in the previous section of this document. Be specific and include the services you will provide and what will be required. If you do not know, find out.
2. View the work of potential suppliers and contact customers listed on the supplier's Website. It's a good idea to contact references in addition to those supplied by the potential supplier.
3. Secure proposals from at least three suppliers with whom you feel comfortable working.
4. Look at the quality of work in relation to sites you like, the maturity of the company and the detail of the proposal. Even with specific details, the costs of development can vary greatly from proposal to proposal. Challenge potential vendors to justify any cost differences between vendors. In the proposal, look for additional components not asked for or, conversely, components left out in comparison to your requirements.
5. Write a letter of agreement, which does not obligate you to the supplier after the site is completed. The agreement should clearly state that the content and artwork is solely and entirely your property. It is good practice to pay no more than 25% up front of the contracted fee, with the balance in installments. Ensure you receive versions of the site as it progresses, and an entire copy with working files once the site is complete.

### **Site Categories and Associated Costs**

In order to answer the original question of "How much?", we have, in very general terms, broken Internet development into the following four categories (please refer to the table on pages 8, 9, and 10 for more detailed information):

#### **The Online Brochure**

Often a good starting point, the Online Brochure is generally a Website that provides prospective customers with a profile of your organization, and the products and services you sell. Online Brochure sites are generally not very elaborate, and provide little to no functionality in terms of processing orders. This type of Website will show the products or services you sell, and may or may not contain pricing.

#### **Sales Site**

Often a second or third generation site, Sales sites offer products for sale and allow simple e-Business transactions. Although not essential, design, functionality, and usability are more critical as buyers most often require confidence in the company from which they are

purchasing. Effective use of these three elements will communicate your organization's credibility, and a well-designed site will build the confidence of potential customers.

This level of site often incorporates a database and, in many cases, there is a limited selection of items. Although often hosted on a secure server, major credit card orders can be placed via phone or e-mail for authorization, and funds transferred through means of traditional deposits.

### **Integrated Site**

Projects of this nature are very specific to an organization's needs, and become more complicated because of data integration. Integration is the process of making valuable company resources available to your customers over the Internet. If a dealer needs to track a shipment, in the conventional world of commerce, the dealer would phone your shipping department. The shipping department would then review bills of lading or call the driver and relay the information back. Conversely, in an E-Business environment, your customer could search for his or her delivery over your Internet site, determine the order status, and review the order anytime of the day or night.

Integration also facilitates the sales process. Orders placed on the corporate website update in-house inventory levels, generate billings, update in-house GL and receivables, and transfer credit card funds to bank accounts.

### **Involved Site or Application**

As with an Integrated Site, projects of this nature are very specific to each organization's needs. The information technology industry is littered with failed information technology projects, many scrapped after spending millions of dollars. The complexities of larger projects, which include integration with legacy data and the extension of services to clients over the Web, are compounded by the desire of companies to move increasingly faster. The costs associated with creating larger sites or complete dot-com businesses often start in the \$100,000.00 range, and can easily reach into the millions of dollars. Obviously such sites are best left to those who have successfully completed similar projects for others.

In conclusion, how much the development of a Website will cost can be loosely categorized. However, the key is how successful it is in relation to how much it costs. This is largely dependent as to how well acquainted you become with:

**how real** the opportunity is

**what is required** to serve it, and

what **resources are available** and required to accomplish it

### **Pros and Cons of Different Website Categories**

#### **OnLine Brochure**

##### **Benefits:**

Increased exposure to potential customers

Lower costs

A positive brand if well executed

Enhanced tool for communication

**Drawbacks:**

No opportunity to order goods  
No functionality to gather marketing data  
A negative brand image if poorly executed  
Competitors have access to same data  
Failure to offer the ability to purchase can be frustrating for customers

**Costs:**

These types of sites range anywhere from the cost of the software required to create them (\$300.00) - if you are willing to do it yourself - to \$15,000.00 for a professionally designed site. If you are supplying the content, a good median site of approximately 20 pages should cost in the range of \$7,500.00 for an outside firm to develop it. Remember to clearly define what you want in order to secure competitive quotes that are based on the same information and site map. Consider the value of having someone else write your content, because an outside perspective often communicates your key features and benefits more effectively in terms of the potential customers' frame of reference. This component may double your site's development cost, because this type of work is quite involved.

**2. Sales site**

**Benefits:**

Increased exposure to potential customers  
Lower costs  
A positive brand if well executed  
Enhanced tool for communication  
Increased revenue  
Increased customer access - 7/24 hours

**Drawbacks:**

Not having all products available for sale may deter customers and present a poor brand  
No functionality to gather marketing data  
A negative brand image if poorly executed  
Competitors have access to same data

**Costs:**

These types of sites range anywhere from a monthly cost of \$75.00 for a minimal site with a "template" design, to \$25,000.00 for a custom catalog site and professional design. A good median site with 20 pages of information, a database providing 50 products for sale, and a secure environment to receive major credit cards, should cost in the range of \$15,000.00 to develop with an outside firm.

**3. Integrated Site:**

**Benefits:**

Increased exposure to potential customers  
Lower costs  
A positive brand if well executed  
Enhanced tool for communication  
Increased customer access - 7/24 hours  
Increased customer service

Increased opportunity for integrated marketing

**Drawbacks:**

A negative brand image if poorly executed  
Costs to begin  
Internal resource commitment  
Competitors have access to same data (to a limited degree)

**Costs:**

Design costs are usually consistent with Sales sites. However, data integration costs are dependent upon a number of variables, such as security required, hardware, timeliness of the data required, and the type of system that data is being retrieved from and deposited to. In addition, the processing of the data and the extent to which the processed data must interact with the original source will have significant cost implications. Costs on such an initiative vary to the extent that there are no "norms". However, the critical factor is again to define the requirements clearly in order to allow vendors the opportunity to provide an accurate quote. Often, consultants or contractors are engaged to assist in defining requirements, because great gains can be made through combining a professional's technology and business skills with your experience and knowledge of your company.

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