

ECOMMERCE PLATFORMS – WHAT’S THE REAL COST?

Platforms are usually not the highest cost item in ecommerce efforts, nor usually is implementation. However, these two items are typically the main focus of companies seeking to enter or replatform their ecommerce properties. In our experience, the items that drive cost are typically as follows:



FACTORS OF COST:

Platform – **5%**

Implementing the platform – **20%**

Consulting to determine the vision and properly articulate it – **5%**

Data management – **10%**

Business processes to create, destroy or re-engineer – **20%**

Cost of people leaving the project – **5%**

Interfaces (how to pass data around) – **20%**

Quality assurance, management and governance – **15%**

What this yields is “realistic cost”. Salmon has sat in many meetings where the final cost of a project is revealed, to the customer’s shock and horror. What the implementer is showing is a “realistic cost” which factors in the hidden costs shown above. This is especially true when you issue a multipage RFP with a large set of “must-haves”. Every line item you create will add to the cost.

Let’s look more closely at these cost elements:

Product Costs

The most obvious cost is that of the platform software. This can be a software license, a per order line cost, or a percentage of revenue model.

Hosting/Cloud Costs

- The servers and network that run the ecommerce system. Vendor cloud offerings can bundle this into the product cost. Network bandwidth charges can be variable based on traffic.
- Add-on costs can include content delivery networks and security products such as denial of service protection.

Vision and Design Costs

- Consulting with experts to define your vision, and design the solution and supporting architecture, before you implement. If this work doesn’t align with the platform you select, then the cost to implement could go up, as fitting a visionary design into a platform that works in a certain way already can create a lot of work.

Implementation Costs

- Changing the base platform to your needs, interfacing it with your systems, and setting up and priming the ecommerce system with your content and data.
- Updating your branding, look-and-feel, and online content management.

*Source: 2017 research commissioned by Salmon and conducted by Censuswide across UK, Germany and Benelux

Maintenance Costs

- The ongoing costs of supporting the platform, such as monthly fees to host, annual fees for software maintenance.
- Support of the application code, response to issues, patching of software for security, and upgrades of the system for new features.
- Ongoing developer effort to add new features or fix issues that arise from real world use.

Personnel Costs

- The cost of staff to manage the system from day to day.
- Responding to customer concerns, merchandise products on the system, and set up and run promotions.
- IT costs to support interfaces to the system.
- Interpretation of analytics data, and changes to the system to improve conversion.

Nearly all (95%) ecommerce decision-makers cite 'flexible pricing to support growth' as important in platform selection.*

How to reduce your non-visible costs

Non-visible costs are ones that arise when you get into the midst of a project, and something unexpected happens. This is true in most ecommerce projects, so anticipating and planning for it is critical. Ask some searching questions...

- Do you have cover for key members of staff? How will they be replaced and how will the cost of that replacement be handled between us as partners?
- How do change requests work? Can you substitute one feature for another or will the cost always increase from the estimate?
- If the project needs to be delayed because an important interface is not ready, how will that impact the project? Do you have suitable workarounds?
- If a key business process needs to be changed to better accommodate the platform you are implementing, are you willing to change it?

For projects spanning multiple countries and regions:

- Have you considered using an ESB (Enterprise Service Bus) to help minimise integration effort and complexity?
- Are your local business team enabled and committed to the project, and are they able to input knowledge and data at the relevant times?
- In order for you to maintain an acceptable level of speed and service to your customers, are local internet latency issues known and mitigated?
- Have you considered your architectural approach to single vs. multiple?

Knowing ahead of time what will happen if things don't go according to plan ensures you and your implementation partner are communicating openly about the risks.

This is an excerpt from Salmon's authoritative report "The Insider's Guide to Enterprise-level Commerce Platform Delivery". Download the full report [here](#).