



BUILDING A WINNING BUSINESS CASE FOR ECOMMERCE

During annual financial planning activities, each department within an organisation vies for investment from the board for their initiatives. Digital leaders have been in the enviable position of significant YoY growth rates and, in addition, nearly everything in ecommerce is measurable, and the results of their efforts can be quantified in some way. This means ecommerce has stood a good chance of winning approval for most business cases put forward.

People in digitally mature organisations, particularly retailers, have had many years of experience developing ecommerce business cases. However, other verticals starting their online retailing journeys are inexperienced at creating technology business cases.

In ecommerce, the variety of initiatives may differ in scale and impact – ranging from the introduction of a new customer proposition (such as Click and Collect), to the implementation of new software (such as A/B Testing or Customer Review technology).

Before submitting a business case, the IT and ecommerce teams should collectively research technology and software options, as well as meet with potential delivery partners if there isn't the internal capability to implement the changes.

If ecommerce is relatively new to your business and you are seeking some guidance, we will highlight some key information that should be included in your business plan for ecommerce investment.

Frame the initiative, aligned with your objective and strategy

Before detailing your business case, start with a concise, clear explanation that summarises the initiative, and how it will benefit your business and, most importantly, your customers. Keep it clear and simple.

It is important to consider the following:

- What the initiative will achieve, once delivered
- How it aligns with broader company strategies, as well as the digital strategy
- How it delivers competitive advantage, including what your competitors are doing in this area

What are the potential benefits?

When establishing your business case, the expected costs and benefits for your business and customers that you must consider should be categorised by the following:

- Quantitative benefits
- Legal and Compliance
- Qualitative benefits
- Opportunity Costs

Quantitative benefits

When considering the quantitative benefits, it is imperative to list KPI metrics that will be improved, and by how much and over what timescale. Typical ecommerce KPIs include conversion rate, visitors, bounce rate, average order value. Whilst this article focusses on KPIs relating to a software implementation, there could be others such as footfall to physical sites, returns rate, customer service contacts, and customer satisfaction (Net Promoter Score).

Once you have identified which ecommerce metrics will be impacted, you can estimate the possible effect on key KPIs such as revenue as well as the overall business P & L. The forecasts could be based on data from any Proof of Concepts completed or industry insight. In addition, software suppliers may also be able to share data from their other clients' experience (but, beware, they may inflate the benefit to win your business!). Also consider providing a low, medium and high forecast to demonstrate the potential range of financial impact.

Do not forget to include details of how you will measure KPI performance!

Qualitative benefits

Although the qualitative benefits are not so easily measured, they are still an important consideration in your business case. These benefits may include customer experience improvements, increased customer loyalty, colleague benefits and operational efficiencies. Ultimately, any insights gained that can be used internally fall within this category.

For example, if the business case is to add customer ratings and reviews to your ecommerce site, the insight can be shared with the buyers and merchandisers to improve product quality.

Legal and Compliance

If relevant, state how this initiative reduces or removes the risk of non-compliance. Be explicit if this initiative addresses regulatory requirements as ecommerce and data laws are adapted to changing technology and commercial environment.

It is also worth highlighting the financial implications of non-compliance, such as fines and penalties, and the potential risk to brand reputation if your business is found in breach of laws.

Opportunity Cost

In some situations, it is worth highlighting the opportunity cost if you don't take this course of action, and implement this change.

Costs

The majority of ecommerce projects will have some software and implementation costs, including:

- Software licenses
- Development and integration
- Hardware
- Project delivery and management

Development and project management costs may include both internal and external costs if you choose to involve a supplier.

Incremental operating costs could also accrue, for example additional headcount needed to utilise any software on a business as usual basis.

Financial Assessment

Every business has some variations and formulas which they use to evaluate the value of any investment. These may include measures like Net Present Value (NPV) and Payback Period.

Timing

What are the projected timelines for the initiative, including high level key milestones and checkpoints? This may include key points at which release of funds is required.

Risks and mitigations

Highlighting any potential risks you foresee, and possible approaches for how you might mitigate them, is a crucial step. This demonstrates you have considered the broader impact of the initiative.

Governance

Consider including a section on how you will ensure your track and report progress to deliver the initiative on time and within budget. Including a RACI for stakeholder management and engagement will demonstrate you have considered the impact on your wider organisation.

Conclusion

We regularly recommend using Proof of Concepts or trials, as these are often an easy way to prove the value of introducing new technology. If possible, run a small-scale trial with limited investment, perhaps adopting a more manual solution in the short-term, to gather data and insight for supporting evidence in the full business case.

Salmon's Consultancy team has first-hand experience in developing business cases for ecommerce – get in touch to find out how we can help you.

ABOUT SALMON

Salmon is a global digital commerce consultancy that defines and delivers market-changing solutions and customer journeys for the world's leading brands.

Established in 1989, with operations in London, Amsterdam, Sofia, New Delhi, Seattle and Melbourne, Salmon clients include Argos, Asian Paints, Audi UK, DFS, Halfords, Jumbo, LloydsPharmacy, Premier Farnell, Sainsbury's, Selfridges and Sligro Food Group.

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