eCommerce Total Cost Of Ownership
What You Need To Know...
How Much Does It Really Cost?

Today, more than ever, businesses have a good number of choices when selecting a new eCommerce platform.

Generally, eCommerce platforms are available in two formats, each with their own pros and cons. These formats include:

• **“Stand Alone” eCommerce platforms** that were designed to only manage online commerce. You must enter orders from these platforms into other platforms for order management and fulfillment.

• **Unified or “Single Stack” platforms** that include eCommerce as well as back-office solutions such as ERP, CRM, Shipping, etc.

Deciding which platform is best for your company requires a careful analysis of which platform is right for your business, the potential return on investment of the platform, and which platform best fits into your long-term business plans.

Because these platforms have very different pricing formats and provide different levels of functionality to your business, determining the actual total cost of ownership requires you to look past the “base price” and make a careful analysis of the costs once you consider all factors.
The first step in calculating your TCO is to determine your licensing cost. Initial licensing pricing can vary greatly depending on the platform you select, the version that meets your requirements, as well as any additional platform options you will need.

When evaluating a stand-alone eCommerce platform, it is essential to be realistic about the capabilities of a platform’s “basic” or “community” editions.

While platforms can be free or a meager cost (as low as $30/mo.), you may quickly find yourself needing their “Enterprise” or “Plus” version to meet your needs.

These platforms typically start at $2,000/mo plus a percentage of your revenue.

For a company doing $8 million a year in sales online, count on at least $60,000 a year in licensing costs for these platforms.

Unified platforms typically have a higher starting licensing cost, but do not have additional charges based on your revenue.

Unified platforms also include functionality beyond just eCommerce. In most cases, the overall costs of unified platforms are lower when compared to licensing and connecting separate platforms. We will discuss this in detail in a later topic.
Receiving sales orders on your website is just one part of a much bigger picture. For example, you need to fulfill sales orders, generate shipping labels, replenish inventory, file sales tax reports, process bills/payments, and conduct financial analysis.

This is where the Standalone eCommerce and Unified platform approaches significantly differ.

Standalone eCommerce platforms require you to use other platforms to fulfill orders and manage your business, whereas Unified platforms allow you to manage all those processes in one application.

Studies have found that companies using Unified platforms enjoy a higher rate of customer adoption, have better control over their inventory, enjoy a higher level of upselling and cross-selling, and operate more efficiently.

Here is an example of the licensing fees between a Shopify / QuickBooks Enterprise / ShipStation / Webgility solution vs a Connected Business Unified platform solution...

<table>
<thead>
<tr>
<th></th>
<th>Shopify /Shipstation / QuickBooks Enterprise / Webgility</th>
<th>Connected Business Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 User Cloud</td>
<td>$395/mo</td>
<td>$279/mo</td>
</tr>
<tr>
<td>eCommerce</td>
<td>$79/mo+</td>
<td>Included</td>
</tr>
<tr>
<td>Ave Gateway Rate</td>
<td>2.6%+.30</td>
<td>2.25%+.20</td>
</tr>
<tr>
<td>Shipping Labels</td>
<td>$49+</td>
<td>Included</td>
</tr>
<tr>
<td>Data Connector</td>
<td>$199/mo+</td>
<td>Included</td>
</tr>
<tr>
<td>Light Warehousing</td>
<td>$$$</td>
<td>Included</td>
</tr>
<tr>
<td>CRM</td>
<td>$$$</td>
<td>Included</td>
</tr>
<tr>
<td>Point Of Sale</td>
<td>$$$</td>
<td>Included</td>
</tr>
<tr>
<td>Reporting</td>
<td>$$$</td>
<td>Included</td>
</tr>
<tr>
<td>Total</td>
<td>$722/mo+++</td>
<td>$279/mo</td>
</tr>
</tbody>
</table>
While implementation fees are usually a one-time expense, it can be several times higher than the initial licensing fees depending on the complexity of your needs.

While the initial implementation costs of a Standalone eCommerce platform are typically lower than a Unified platform, the processes are similar.

Both Standalone eCommerce and Unified platforms require the setting up of customers, inventory, pricing rules, shipping rules, payment terms, etc.

When comparing the implementation costs of a Standalone eCommerce platform vs. a Unified platform, there are some essential factors to consider.

First, standalone eCommerce platforms require ongoing data maintenance that significantly increases your costs over time. For example, as you add new products to your product line, the product details need to be entered into both your ERP and eCommerce platforms separately. The same goes for everyday tasks such as price changes, promotions, customer address changes, etc.

Unified platforms, in comparison, have much lower ongoing costs and lower costs from issues caused by duplicate data entry errors.

Secondly, businesses tend to replace their eCommerce solution every few years but keep their ERP solution decades. Compare the costs of reimplementing your eCommerce platform over time vs a Unified platform where the backend is consistent.
The Long Term Cost Of Apps

One of the benefits of using a popular eCommerce platform is the availability of apps to extend the functionality of the eCommerce platform.

According to a recent survey of Shopify users, the average Shopify eCommerce website uses six apps for their site. This cost can add up over time.

Other disadvantages to using “off the shelf” apps are that they rarely work together to create a comprehensive workflow and popular “connectors” that download orders to the company’s ERP platform usually do not transfer the data collected by these apps.

With a Unified platform, additional functionality is usually added via custom programming to meet your exact need.

Because these customizations become part of your Unified platform, they usually enhance the workflow of your operations and increase the overall efficiency of your organization.

Furthermore, over time, most customization costs are comparable to the costs of paying for an app over years.
Credit Cards And Payment Gateways

Whether you choose a Standalone or Unified eCommerce platform, you will need a payment gateway to process credit card transactions.

Some Standalone eCommerce platforms have a low licensing fee but require you to use their Gateway or pay a transaction fee on a percent of the sale. These fees can be far more costly than using a platform that gives you the freedom to choose your gateway.

For example, compare a 2.6% + .30 credit card rate with a 2.4% blended one. For every $25,000 in sales, the 2.6% rate will incur around $205 more in credit card fees*.

Additionally, B2B sellers need to factor in that some Standalone eCommerce platforms also charge a transaction fee on “terms” orders (i.e., net 30).

Another factor to consider is how you process credit cards.

With most Standalone eCommerce platforms, you charge the customer’s credit card at the time of the sale. Capturing the credit card at the time of the sale works if the product in stock and ships immediately but can cause costly issues when a product is out of stock or the shipment is delayed.

Unified platforms can authorize a transaction first, then convert the authorization into a charge once shipped.

Advantages to this approach include the ability to charge the correct amount based on what shipped, compliance with all state laws, as well as the ability to accurately record revenue and tax collections in the periods that the income is recognized.

* based on 750 orders / average order size of $33
Hosting Costs

Another important consideration when calculating your TCO is hosting costs.

If the platform you are choosing is a cloud-based one, then your hosting costs are factored into the pricing.

Just note that as your traffic grows, your supplier may ask you to “tier up” to a more expensive plan.

When using a cloud-only solution, consider who owns your data and what would happen if you stopped using a service.

In many countries, tax laws require you to keep three years’ worth of records for audit purposes. Many cloud platform providers are aware of this and make it difficult to move out of their subscription service.

If a platform has an “on-premise” option, it might be worth exploring.

An on-premise license would allow you to host the data yourself at a reliable hosting company of your choosing or self-host the solution in your office.

With 1GB fiber lines available for many businesses, and the availability of content delivery networks (CDN) for bandwidth-intensive files such as pictures, self-hosting is quickly becoming a legitimate option for many companies.

With 10GB internet coming to local businesses around the corner, companies that have an “on-premise” option should carefully examine their solution to future-proof your business.
Calculating The True Total Cost Of Ownership

Using this eBook, you should be able to sit down and calculate a reasonably accurate TCO of all of the solutions you are considering for your organization.

When comparing a Standalone eCommerce platform to a Unified one, keep in mind that a Unified platform will benefit your company in ways that are not always quantifiable.

Unlike a Standalone eCommerce platform, a Unified platform provides your organization with a centralized view of order, customer, stock, and item data that the solution shares across your entire organization.

The Unified Platform offers a substantial benefit to your organization compared to using unreliable integrations to synchronize your organizations important business data between disparate platforms that must be modified to work together.

With a Unified platform, your customers are given a consistent “real-time” experience across sales channels, and your team can ship faster and better handle any customer issues.

Those in the market for a new eCommerce solution are likely to select a unified solution that is integrated with eCommerce and other systems.‡

62% Unified solution
36% Standalone eCommerce systems
3% Undecided