

Why Do Only 27% of Small Business Owners Report an Operating Profit From Their Web Site?

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Although this is the second Weidman Consulting (WC) Journal issue, it is really the fundamental one that will set the stage for the next several. In this issue we will build on our belief that there are common mistakes made that contribute significantly to the low profitability of small business Web sites.



The National Federation of Independent Businesses (NFIB) reports in their *National Small Business Poll – The Use and Value of Web Sites* that, when asked, only 27% of small business¹ owners saw an operating profit from their Web site over the six-month period preceding their response. 16% had an operating loss, and 19% didn't know if their site was profitable or not. The remainder, 38%, claimed that they "broke even."

The numbers are discouraging. They raise a red flag to anyone considering an initial or incremental investment in their Internet presence. If the likelihood of realizing any financial benefit is that low, then who would consider it a good investment?

We do.

Our response to the NFIB numbers is that we absolutely believe them. Our experience is that an even larger segment of the business owner population falls into the "don't know" segment rather than the "break even" one. Companies not selling directly online are highly unlikely to know if their site drives any bottom line benefit. Those companies who do offer "shopping cart" capabilities frequently measure the results of their site solely on the dollar value of the orders placed there which can underestimate the site's impact. Many company owners we've spoken with are of the opinion that their Web site does not significantly affect the bottom line because their products or services are poorly suited for traditional consumer-oriented e-commerce. They view their Web site as a cost of doing business, not as an opportunity to grow their business.

¹ The NFIB polled companies with between 1 and 249 employees.

The Internet can play an important and powerful role in building a company's bottom line. A well-designed Web site can lower the cost of customer acquisition, even if customers are shopping online, but purchasing offline. Web sites can cross-sell, up-sell, solve problems, and provide a totally personalized experience unlike any other medium. But the challenge to success is twofold. The first problem is reaching the right target audience and getting them to come to the site. The second is that the site must be able to capitalize on the small fragment of attention that visitors are willing to offer, and secure enough interest so that they see value in digging deeper and coming back for future visits.

The Internet is a cluttered medium, with millions of sites vying for the attention of its users. The Internet is not TV. The segmentation that cable TV offers to deliver more specific content to its viewers through specialty channels is dramatically greater in the Internet space – where sites exist for every conceivable product, service, or topic. But such specialization makes it that much more difficult to get the attention of those who might really be interested in what a site has to offer. They won't be "tuning in" just because the site is there; they must be found and brought to the site.

The fundamental problem as we see it is that most small businesses do not possess the skills to – or have access to those who can show them how to – make their Web sites an integral part of their success formula. Many companies look to their Web developers for this expertise. Unfortunately, few developers or Web design firms have the business analysis and Internet marketing skills necessary to capitalize on the opportunity.

Time after time we see common mistakes made on business Web sites that greatly diminish the site's ability to attract the right target audience and develop a meaningful relationship with them. It is the growth of the relationship between a company and its target audience that allows it to market more specifically to them – greatly improving the chances that they will become customers and hopefully returning customers. The Internet is the cheapest and most effective medium for achieving this.

These common mistakes are not confined to the small business space, either. Many medium-sized and large business Web sites suffer from the same mistakes. To examine these in more detail, we refer to our Web site lifecycle, which has seven stages:

- 1) Strategy planning & business analysis
- 2) Requirements definition
- 3) Vendor selection
- 4) Project planning & design
- 5) Project management
- 6) Site promotion
- 7) Monitoring & maintenance

We will identify some of the common mistakes made in each of these project stages.

Strategy Planning & Business Analysis

It should go without saying that any investment a business makes should be well planned and include an estimation of the expected return or benefit. Unfortunately, many Web projects begin with the selection of a vendor, and skip the strategy and planning stages altogether. A Web site project should start with a set of goals that are closely aligned with the overall business goals. It is important to get input from members of the target audience community. Companies should find out what Web site features they want, and what will keep them coming back. Business owners and senior managers fall into the common trap of letting themselves believe that they understand what their customers want. Web sites built at the dictation of senior management usually miss their target audience(s) – by a long shot.

Requirements Definition

The purpose of a requirements document is to clearly define for the developer and the Web site owner what will be built, and how it will function. The requirements document can be extended to include the design concepts (“look and feel”) as well. A requirements document is more than a bulleted list of features. A simple list does not effectively communicate the level of detail that should be understood by both the developer and the client prior to the beginning of development. A Web site designed without such a document will ultimately fail to meet the expectations of the Web site owner. What follows is a lengthy list of change requests, and contention over whether or not the changes will cost the Web site owner extra or not. A requirements document – signed by both parties – can significantly reduce the chances of this sort of miscommunication. In the long run, it will save time and money.

A common question about requirements documents is, “Shouldn’t the Web developer (vendor) be responsible for creating it?” The vendor may author the final document, but the Web site owner should be driving the content. It is in the owner’s best interest to develop some level of the document before engaging any vendors. If the task is left solely in the hands of the Web developer, then the site built the way they want it to be – not the way that the site’s target audience wants it.

Vendor Selection

If you do little else in the process of picking your vendor, at a minimum ask for and check their client references. Leverage your own personal network of contacts to identify and validate your Web developer prospects, too. Referrals from people you trust go a long way towards making you feel comfortable with your selection. You should have a signed contract with the vendor that clearly defines the cost, schedule, and deliverables for the project. Important in Web site projects is the definition of who owns the Web site code. Most often, the vendor remains title to the code itself with an unlimited license granted to the client. Have your lawyer work with you on this point. You do not want to get stuck wanting to take your site code to another developer or hosting provider only to discover you don’t own the rights to do so. Finally, be aware that most developers are not Internet “experts.” That is, their ability to design and develop Web sites does not make them Internet business analysts, Web marketers, search engine experts, and so on. Some development firms will have staff with these skills available to you. Smaller firms may not.

Project Planning & Design

Good project planning for a Web site is not significantly different from that of any other important task. There should be a plan in place that includes a schedule with frequent milestones. It should define, up front, a regular status meeting schedule so that the Web site owner and the developer know where the project sits against the plan.

During the design portion of the project, both the overall usability of the site and search engine optimization are important. Usability issues can arise when the site's navigation is not consistent, or difficult to figure out. Early in the design process it is desirable to find a set of test users, give them predetermined tasks ("Find out the dimensions of product XYZ") and watch them navigate the site. The navigation scheme should be refined if the site proves difficult for the test users to use. Macromedia Flash-animated splash pages can cause a significant usability problem, too. In almost all cases, a 10-second animated intro (most of which are difficult to skip) is not appropriate. Developers love these things because they showcase their design talent. Very few site visitors like them, and many move on to the next site before getting past the splash page and to the real content.

Search engine optimization must be considered during this phase because certain design choices might hurt the completed site's rankings. Search engines are text-oriented by design. They crawl your Web pages looking for text content to index. Search engine crawlers ignore graphics. If the site's critical text is embedded in graphics – it will be missed. The use of frames and Macromedia Flash can also hide critical text content from search engine crawlers.

Project Management

During the development of your Web site, be diligent and hold those regular status meetings. According to the Standish Group (*Chaos: A Recipe for Success*), only 26% of software projects are completed successfully – that is on time, within budget, and with the originally specified functionality. Good project management practice can help remedy that. The vendor should be able to describe their process for keeping projects on track. The processes should include one to manage change requests. Changes should be documented and approved by both the developer and the Web site owner prior to implementation.

Site Promotion

There are both online and offline considerations for promoting your site. Search engines, newsletters, banner ads, and targeted e-mail can all be components of a site's online promotion. Basic search engine optimization is a must. Countless sites we encounter are not well optimized for search engine results. Either the critical META tag content (like page KEYWORDS and DESCRIPTION) is missing or are poorly implemented. Sites frequently lack good, relevant text content, which is so important to achieving good rankings on popular search engines.

Offline promotion can be accomplished with traditional media like print ads with a call-to-action that brings prospects to the site. Leveraging offline media to encourage site visits only works well when the site delivers on its promise to provide relevant content and functionality. That accomplished, repeat visits are more likely and the relationship with the prospect strengthens.

Monitoring & Maintenance

Revisiting the numbers quoted at the beginning of this article from the NFIB, how many of those respondents really knew how to measure the results of their Web site? Based on our experience, not many. The real value of a site is hidden in data that goes way beyond the number of hits it gets. (As a side note, there is a common misperception that the number of hits indicates the number of visitors to a site. It's not that simple.) One of the most important aspects of the strategy we help our clients develop is that the success metrics must be established up front. The Web is an extremely measurable medium, but a company may have to build the measurement capabilities they need into their site. This is one reason that the metrics need to be established at the beginning of the process.

Too many companies also view their Web site as a one-time investment. An ongoing annual maintenance budget of 20% - 50% of the original site's cost should be planned for. Visitors quickly dismiss sites that have outdated content because it is too easy to find a competitive site that is current. If monitored properly, Web site owners will discover what parts of the site work and don't work. Those things that aren't working should be changed and improved. This analysis also feeds back to the beginning of the process, where strategy and planning for future phases begins.



In this article we've only covered only some of the common Web site mistakes, and not in any great depth. The WC Journal will continue on this topic with a series of articles that address each phase in more detail. Although not chronologically first, our initial WC Journal issue, "How to Hire a Web Developer," described the third phase of the lifecycle. (See <http://www.weidmanconsulting.com/wcjournal.html>). We hope that you will continue to find insight and value in the WC Journal, and welcome your comments, which can be addressed to Will Weidman at will@weidmanconsulting.com.

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