



services

## The Worth of a Website: What's Your Return on Investment?

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A website is an essential cost of doing business, no less important than your brochure or the sign on your front door. But how much should you spend, and how do you know the value?

Grab your calculator for some quick answers. Financial analysis offers handy tools: ROI, short for return on investment, and Payback Period, the time it takes to recoup the cost of a new project. Whether you're considering your first website or an upgrade to your current site, these simple equations will help you calculate the right website investment for your business.

### **Step 1: Review Costs**

You can spend as much or as little as you want on a website. Prices start at \$5/month for a no-frills do-it-yourself site; large companies spend hundreds of thousands of dollars. What should you expect to pay? Most small businesses spend a few thousand for an attractive, professional site. Add in a few thousand more for extras like online marketing or an e-commerce shopping cart.

Look at several levels of price and features to find the best value for your business. Spend too little, and you might miss a big marketing opportunity, but don't waste your money on unnecessary bells and whistles either.

Don't forget to consider the value of your time. Do-it-yourself sites can take days, weeks, even months to build, depending on your level of technical expertise and web-savvy. It's not just the technical tasks—many stumble when writing their own website text. Compare hourly rates on an “apples to apples” basis—tasks that might take you several hours can be done faster by experienced professionals. And that's valuable time you could spend selling products, billing hours or running the business.

### **Step 2: Estimate Benefits**

For e-commerce businesses, it's simple to determine the benefit of an upgrade: you estimate and measure the increase in sales. Online marketing activities can be tracked precisely to determine the “conversion rate”—the number of people who convert from visitors to customers based on an online ad campaign. Since computers are tracking all website activities, results are instantly calculated and readily available.

For the rest of us, it's a bit more complicated. Most small business owners use their website to supplement regular marketing materials, so the website is one of many factors that contribute to new sales. To estimate results, you'll have to guesstimate how

much your new website will contribute to sales.

Some factors to consider:  
Do your competitors have better websites—or do they have better websites? How will that tip your customer's buying decision?  
Do you market to a younger, more tech-savvy market that takes websites for granted?  
Do you respond to RFPs—request for proposals—where buyers know little to nothing about your business? Does your website educate them with needed background information?  
Does your website provide all the information needed to make an informed buying decision?  
Does your website make it easy to do business with you?  
Does your website inspire trust?

A good site provides a credibility boost to your business. It's a convenience to your customers, and it begins (or continues) the relationship-building process that's crucial to closing the sale.

So, how much more business will it bring in? You know your customers best. Look at how they shop with you today, and how they'll shop in the future. Will a website set you apart from your competitors or simply catch you up? Quality matters—how much must you spend to get good results? Will online marketing increase those results?

Look at your annual profits and factor in a realistic increase.

There's no formula. It's all dependent on your industry and your market. In some businesses, a single new customer will justify the cost of a good website. In others, it takes thousands of small sales.

### **Step 3: Calculate Your Return**

Now that you've got some numbers, let's look at how they add up. ROI, or return on investment, is a simple measure:  $\text{benefit} \div \text{cost} \times 100$  percent. For example, a site with an estimated benefit of \$10,000 and a cost of \$5,000 will have 200 percent ROI. A 100 percent ROI means you break even; the higher the number, the more you make. If your number is less than 100 percent, you'll lose money, so look at ways to cut costs or increase benefits.

Payback period measures how fast you recoup your costs. The formula is  $\text{cost} \div \text{annual benefit}$ . A website that costs \$15,000 but returns you \$10,000 a year will have a payback period of 1.5 years. The shorter the payback period, the better. Since the average website needs an overhaul every 2-4 years, you want a faster payback period that's less than 2 years. Otherwise you'll need upgrades before you've recovered your initial costs.

Run the numbers with different levels of costs and benefits. If you spend a little more, do you get more bang for the buck? What if you spend less? Play

with the numbers until you find the best value for your business.

### **Last Step: Measure Results**

So you've done your calculations and you plan to upgrade your website. How will you find out the real payback? Unless you have an online business, where everything can be tracked by computer, you're going to have to do a few more estimates.

Your first resource: website traffic statistics. These tell you how many people are visiting, how they get there, and what they look at. If no one's visiting, do something about it! Get your traffic up by telling customers about your site. Give them a reason to visit, such as free information, a contest or an incentive program.

Your customers are an even better resource. Many companies ask new customers, "How did you hear about us?" Ask another question: "Did you visit our website, and was it helpful?" It's not an exact science, but it will give you some indication as to how your website helped close the deal.

Listen to your customers to get great ideas that can make your site even better. Then run the numbers again and see what your website is worth!