

Dollars and Sense: Measuring the value of web sites

Web sites matter for two reasons: today's customers expect a company to have a web site, if only to provide contact information or locations, and at least some parts of most companies have discovered that web sites can cut costs, generate additional revenue, or both. However, even a simple web site comes at a cost, so it is important to make certain that the business value is known and optimized.

For example, if a company spends an average of \$20 supporting each call in their call center, and the average cost of the customer serving himself on the web site is \$.50 then each support event that happens on the web rather than in the call center saves the company \$19.50. For every thousand diverted calls that is \$19,500. However, if half the customers coming to the web site intending to support themselves do not find the support section, the right answer, or otherwise fail at using the web-based support, the value of the web site goes down by \$9,750 per thousand events.

The example above shows that a web site can be either a drain or boon depending solely on its effectiveness at meeting the business requirement. The difference requires an understanding of how investments in the web site tie back to and improve business value, then managing the factors that create barriers. This ultimately leads to the need for appropriate metrics.

Linking web site design to business objectives

Most web sites have multiple destinations or functions that visitors can access. This creates a complex situation, because the overall business value of the web site comes from the sum of the destination values. Therefore, each destination should have explicit business objectives.

The most difficult metrics to generalize are those that measure progress toward business objectives. This is due to the wide range of possible business objectives. In many cases measurements may be required that do not involve the web site at all. For example, if the business objective is to use web site self-service to reduce calls to the call center, then the evaluation must include tracking changes in the number of calls to the call center.

Business objectives generally tie back directly or indirectly to either reducing costs or increasing revenues. Clearly the easiest business objective to measure is a direct increase in revenue or sales. However, even in this case, additional metrics are advisable to track more detailed parameters that lead to that objective and to track early indicators of future changes.

Places to look for measurable value:

Revenue

- Can you document sales that would not otherwise have been made? Don't overlook mechanisms that track web-based research leading to store purchases.

Cost (self-support)

- Can you document a reduction in human assisted services? Generally, the cost of human service can be quantified and compared. Common activities where web self-service can replace at least some human service support are: customer or employee assistance, account management, and sales.

Lost Customers

- The most obvious measure to document here is the lost future revenue. However, the cost of original acquisition of the customer should not be overlooked. This can be treated as a cost amortized over a shorter period, and hence higher for each purchase made before the loss. If you want to get more sophisticated, you might also factor in the risk of not being able to replace this customer with a new one.

Time to Market or Task Completion

- Time savings often are tied to increased revenue. For example:
 - In industries with high-value, patent-protected products, like pharmaceuticals and pesticides, reducing the months getting to market has been shown to dramatically affect revenues and profits.
 - In industries that bid on complex proposals, the ability to communicate rapidly, across time zones, either internally or with partners can affect the ability to respond at all. Tracking proposals and wins (revenue) that could not have happened provides the value metric.
- Completing tasks ahead of schedule can sometimes be translated into cost savings, particularly at the project level. However, be careful not to use this unless you can measure and document how the time saved is actually transferred to another value producing task.
- A more difficult, but not impossible, task is documenting how completing a project or service on time or ahead of schedule can lead to repeat business, both directly and through client referrals.

Quality

- This is an important, but difficult to measure attribute. It often can be documented by relating the result to one of the value measures discussed above. For example:
 - Loyalty is the positive side of “lost customers.”
 - Repair / rework costs are related to the “self service support” metrics.
 - Anytime / anywhere service is measured as increased revenue.

Developing metrics for harder to measure business objectives

The following questions can help guide the process:

- How will we know if we succeeded?
 - What do we want to be *different* after we implement this?
 - What will that difference *look* like?
 - How can we *measure* that difference?
- Can we translate the difference into monetary value?
 - Is there direct revenue or savings?
 - Can we put a value on satisfaction (the value of each percentage increase/decrease in retention, turnover, etc.)?
 - Can we put a value on time to market/completion (per hour, day, month)?

Summary/Recommendations

If you do not manage your web site to business objectives, and measure business results, it is very likely your web site is dramatically under performing, or worse, costing more than the value being realized. You can counter this situation by:

- Setting business objectives for each web site destination or function
- Identifying metrics for each objective
- Capturing baseline status for each metric
- Tracking progress on a regular basis

iorg.com workshops, audits, and consulting teach your non-technical business managers how to develop web site strategy and objectives that support your business, translate those objectives into auditable design requirements, and effectively communicate those requirements to designers and developers.

Contact us to see how we can help you:

Phone: +1 925-518-9425

Email: info@iorg.com

Web: www.iorg.com