



Building a successful e-commerce business:

how to establish the “virtuous cycle” of sustainable self-funding growth and development

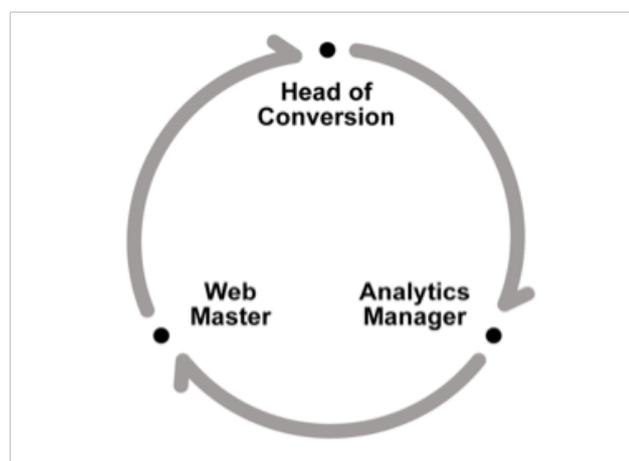
Here is a common story I hear: “we’re doing ok in our e-commerce business, but there’s so much more I think we should be doing. And now with Mobile and Social Media and Behavioural Targeting and stuff there must be lots more revenue growth to go after. Surely we should be acting now to capture these opportunities. But the team seem too cautious, always got roadblocks and excuses. But I need them to be a bit more entrepreneurial and find ways to go after this future growth. We are all getting frustrated as we see competition doing things we know we need to do”

In such circumstances, boards and exec committees face a dilemma; do they encourage more aggressive investment proposals, often with high levels of forecast growth but equally high degrees of judgment about the potential ROI and time to pay back. Or, do they suggest a different approach which is perhaps more in keeping with these more cost conscious times?

Is there still a way to galvanise and deliver greater growth and development, without high up-front investment risk?

The good news is that there is! And it is potentially a lot easier. And it is self-funding. It simply provides a sustainable way to maximise the growth in the e-Commerce operation. And in doing so generate additional streams of revenue and profit that can be used to justify continued investment.

This alternative is the “Virtuous Cycle of e-Commerce investment”. It consists of just three keys. And it’s all about having the right people in place. The business needs a Head of Conversion, a Manager of Analytics and a Web Master. These 3 work “hand-in-glove” to create a virtuous cycle of activity.



1. The Head of Conversion

This person is responsible for converting traffic to sales. They are not involved in acquiring traffic. They are not a Search /PPC /Affiliates expert. They are however insiders, looking at what happens at the next stage of the value chain. Once we've got the traffic, what are we doing with them?

Their key remit is looking at the web site /user experience. They are the ones who are constantly examining the site information architecture, the lay-out of the content, the look and feel of the web site, the whole end-to-end user experience. What happens to people once they arrive>? What parts of the online store do they visit? And what parts never seem to get many visitors. How long do people stay? What engages them and what puts them off? How many put items in a basket, and how many never complete that basket, what if we change this instruction or make this process shorter or skip this section or put this button in highlights, does any of that make a difference?

At the end of the day this is in many ways the key role in an e-commerce organisation, and it needs someone dedicated to this task. Someone who has only one very clear metric and focus in mind. What is the % conversion ratio? And yes, there are subsidiary ratios such as average basket size and ave. number of items ordered. But "visits: sales" is the key.

And yet most e-commerce operations do not have one of these people. This key role is often subsumed within a broader role of Online Marketing Manager or Web Site Manager. And as a result the focus is often lost. And often, not surprisingly visits: sales ratios are not as leveraged as they could /should be.

2. Analytics Manager

This person is one of the two key partners to our Head of Conversion. This person is in charge of all the data. They have been tasked to ensure that there is a proper and effective web analytics process and data-gathering capability in place. And their task is to provide the analysis and insight that can show what improvements can be made.

They have the opportunity to provide the weekly change agenda. They should be in a position to know where each visitor goes and where they fall away. There is the classic waterfall analysis that shows for each 100 visitors how many make it all the way though to check-out and purchase? How many does the site lose even at the home page? How many get to the registration page for example and drop out there? How many baskets are set-up and left uncompleted?

And if these Analytics Managers are in any way curious they will be not just the analysers of the data. But they will be the interrogators too! They will want to understand why it is that people drop out or don't complete? They will want to be holding regular focus groups and pieces of research to ask visitors: what went wrong, why did you not complete, and most importantly what could we have done differently that would have made your experience easier, better, more enjoyable, more convenient, simpler, more compelling so that you would have completed?

And they would also be constantly reviewing best practices and asking why can't we match them? So everyone knows and talks about Amazon's One Click ordering process for example. But how many companies offer that facility aside from Amazon? Here we are some 10 years on from when that simple but powerful piece of functionality was first introduced. But how few today copy or offer that? But the technology to do is now straightforward as many web site platforms do offer the facility to save credit card details for future ordering. But where is the One Click button?

3. The Web Master

So we have the Conversion head who is orchestrating and driving to generate higher sales from the marketing and online activity. We have the analytics and insight that shows what can be improved and where the key opportunities lie. Now all we need is the final piece of the jigsaw>

And this is the Web Master. This person is the one who implements the technical changes that have been identified. It's about working closely with the Conversion Manager to identify the highest priorities for change, the items that will make the biggest differences to sales.

They then have the technical capability and importantly, the access, to make those changes to the site. Oftentimes this may be simple changes to content or moving layout or information or making some things more prominent or reducing the number of pre-registration questions or adding in a piece of functionality. Each item may in itself be quite small but its impact can be quite high. Many are the stories of eg moving a Next Step button above the fold and seeing basket completion jump by 20%.

But what is key here, is that this Web Master has access. This person needs to have the agility to get to the source code and the authority to change things. What this needs to avoid, and it's situation which is very common today, where the e-commerce team want to make changes requiring technical input and then they get told that they will have to wait for IT team resource, that there is a queue of projects from across the whole company waiting to be implemented, that this e-commerce initiative will have to wait till resource can be allocated and found. And oh, by the way, that will be in 6 month's time.

What this Web Master also needs is the skill to think and act quickly and entrepreneurially. What shortcut might exist that could enable this change to be made easily? Is there already a piece of eg Open Source software ready developed that could perhaps be adapted and deployed. Is there some solution in the Cloud that might enable this problem to be outsourced or solved in a different way?

What is key is that the tasks and changes need to be done quickly. They cannot sit in a 6 month queue. E-Commerce as indeed all technology today does not sit in traditional legacy system lead times. Things are moving at such a pace that they need to be captured now!

Implications and Conclusion

Achieving this virtuous cycle is not hard. It's mostly about formalising and focusing current resources onto these key priorities. Such people also need not be high cost and often young rising stars with a few years good online and e-commerce experience should be able to adapt and respond to the challenge.

The main process change is enabling a Web Master to have access and authority. That may require the approval of the Senior IT Director and may require some initial partnering and working with the IT team to ensure good governance and safe management. But again it should not be difficult to achieve.

What is clear is that the best e-commerce sites are achieving very high growth rates, they are hitting that virtuous cycle where not only can they make changes quickly internally but their success reaches out and creates that buzz and excitement that makes a difference, that gets people talking about the business, that encourages more visitors and gets more recommendations from friends, family and supporters.

And here's a brief case study to finish: www.zulily.com is a highly successful clothing /apparel e-commerce business selling beautiful and competitively-priced clothing for young children, from about 6 months old to about age 8. It only set up about 3 yrs ago but has quickly established itself as a leading online kids clothing store in the USA. And it launched in UK start of 2012 as part of a potential broader global expansion.

Why so successful so quickly? (sales have topped >\$100m). While it has for sure been innovative in its merchandising and consumer offers, a key element of their whole approach has been to put a heavy reliance on analytics. There is an Analytics team who are monitoring site performance 24 /7/365. They are looking all the time, in real time, what is working and what is not, what items are selling, what is attracting consumer interest, what is stimulating to purchase? And they are working closely with their Conversion team and Web Master group to evaluate the data, draw out the key conclusions, identify the priorities and make those changes, now!

There is no delay. The analysis does not wait for eg the weekly trading meeting. It does not wait for an IT team to decide when and if it will make changes. The whole visit to sale conversion experience is being constantly and continuously optimised. And in this way Zulily are ensuring that the visitor experience is enjoyable and easy, that customer satisfaction is at its highest, that problems are identified and resolved immediately, that sales and revenues are maximised!