

# Are You Paying Too Much for IT?



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# Rules of Thumb for OMS

- Total IT Expenditures as a % of turnover
  - 1.0% - 3.0% for companies < £1 million
    - £5,000 - £30,000
  - 3.0% - 1.0% for £1 million - £10 million
    - £30,000 - £100,000
  - 1.0% - 0.5% for £10 million - £40 million
    - £100,000 - £200,000
  - 0.5 % for £40 million - £300 million
    - £200,000 - £1.5 million
  - 0.5% - 0.3 % for > £300 million
    - £1.5 million ++



# Annual Support Fees for OMS

- 15% - 25% for systems up to £250,000
- 10% - 15% for systems £250,000 - £500,000
- 5% - 10% for systems > £500,000



# Typical scenarios: OMS

- Annual Turnover: £300 million
- Initial Investment: £120,000
- Number of Users: 65
- Annual Support: £70,000
- Ecommerce system: £400,000  
(annual support £50,000)
- 300 tills (EPOS spend unknown)
- WMS: £100,000
- Data Warehouse/(Web) Analytics: £80,000



# Typical scenarios: OMS

- Annual Turnover: £225 million
- Initial Investment: £1.2 million
- Number of Users: 500
- Annual Support: £50,000
- Four dozen stores
- Warehouse Management System
- IT Salaries: £175,000



# Typical scenarios: OMS

- Annual Turnover: £200 million
- Initial Investment: £100,000
- Number of Users: 65
- Annual Support: £15,000
- No stores
- IT Salaries: £30,000



# Typical scenarios: OMS

- Annual Turnover: £100 million
- Initial Investment: £150,000
- Number of Users: 100
- Annual Support: £30,000
- Ecommerce system: £300,000 (support 10%)
- WMS: £35,000
- EPOS: £100 000 (15% support, 50 tills)
- Data Warehouse: £30,000
- Web Analytics: £15 000



# Typical scenarios: OMS

- Annual Turnover: £50 million
- Initial Investment: £200,000
- Number of Users: 150
- Annual Support: £30,000
- Ecommerce system: £30,000
- WMS: £10,000
- Data Warehouse/Analytics: £5,000
- Annual IT Salaries: £100,000



# Typical Scenarios: OMS

- Annual Turnover: £26 million
- Initial Investment: £150,000
- Number of Users: 50
- Annual Support: £30,000
- Ecommerce system: £250,000 (support £10,000)
- WMS: £10,000
- EPOS: £5,000 (£1,000 support, 1 tills)
- Data Warehouse: £20,000
- Web Analytics: £5,000



# Typical scenarios: OMS

- Annual Turnover: £25 million
- Initial Investment: £100,000
- Number of Users: 40
- Annual Support: £5,000
- No stores



# Typical scenarios: OMS

- Annual Turnover: £10 million
- Initial Investment: £50,000
- Number of Users: 25
- Annual Support: £10,000
- 1 stores, 1 tills
- EPOS: £3,000 (annual support £300)
- Annual IT Salaries: £30,000



# Typical scenarios: OMS

- Annual Turnover: £10 million
- Initial Investment: £30,000
- Number of Users: 30
- Annual Support: £4,000
- 10 stores, 16 tills
- EPOS: £10,000 (annual support £2,000)
- WMS: £10,000
- Datawarehouse/Analytics: £5,000
- Annual IT Salaries: £100,000



# Typical scenarios: OMS

- Annual Turnover: £1 million
- Initial Investment: £8,000
- Number of Users: 5
- Annual Support: £2,000
- 1 store, 3 tills
- No IT salaries



# Typical scenarios: OMS

- Annual Turnover: £1 million
- Initial Investment: £2,500
- Number of Users: 4
- Annual Support: £250
- No stores
- No IT staff



# Typical scenarios: OMS

- Annual Turnover: £200,000
- Initial Investment: £5,000
- Number of Users: 2
- Annual Support: £500
- Ecommerce: £1,000 (£300/yr. support)
- 1 store, 1 till
- No IT staff



# A Sensible IT Budget

- First things first
  - order management/fulfilment
  - Ecommerce
- *Hire the manager before you buy the system*
- Invest in strong, knowledgeable IT personnel
- Know and track all systems costs
- Invest in ‘enabling technologies’
  - better integration
  - better customer segmentation
  - increased LTV, RFM
  - streamlined operations



# Is the Web a ‘Black Hole’?

- Customer expectations
- What really works best?
- Who provides the best solutions?
- Test, test, test
- Competitive pressures
- Tracking activity
  - Web Analytics
  - Matchbacks



# Measuring ROI

- Establish Key Performance Indicators
  - measure, evaluate performance
  - use KPIs to change methods and rules to improve performance
- Calculate the value of enabling technologies
- Establish amortisation schedules
- New systems should return value in three years or less



# Cost Centre vs. Profit Centre

- Expenditures must be justified
- > £25 million turnover
  - margin to experiment - use it!
  - Consider some in-house development
- Invest in truly enabling technologies
- Invest in people who manage and use the systems as much as in the systems



# Multi-channel Integration

- Improved customer satisfaction
- Reduced stock-outs, back-orders
- Safe sell-through of discontinued stock
- Lower average order cost
- Increase average order size
- More effective merchandising
- Increased stock turns
- Customer self-service
- Increased profitability!



# Systems Integration

- For “Best of Breed” approach
- Integration nightmares
  - Tightly coupled
  - Web services
- Upgrade challenges
- ‘Plug and Play’ options to stay current
- Always more costly
- Absolutely must have strong IT Team!!!



# Software as a Service

- Hosted solution (browser interface)
  - No in-house IT required
  - Always the latest version
  - Secure, reliable (always-available)
- Fee options
  - Sliding scale, by volume
  - Volume plateaus
  - As always, open to negotiation



# Browser Interface

- Access anywhere for distributed call centres
- Same system, same screen style for call centre and eCommerce
- Trade-offs
  - Pros (the above, plus --)
    - Ease of use, ease of training
    - Drag-and-drop now available
  - Cons
    - Inefficient screen real estate
    - Slower order entry (multiple screens)



# The 'Build' Option

- For very large or very small merchants
- Don't 'build' unless you:
  - can't find a solution even remotely suitable
  - truly understand the discipline the system will support
  - have access to proven expertise, preferably in-house
  - have 2 - 4 years to wait
  - are prepared to support the system going forward
  - are prepared to do formal training
- Often does NOT save you money!



# Outsourcing

- Pay for services, not solutions
- Management challenge
  - need manager at service site
  - must spell out responsibilities
    - the service providers
    - yours
- Constant communication
- Constant service level evaluation



# Conclusions and Final Thoughts

- Use ITT approach to acquire solutions
- Implement carefully, train-train-train
- Focus on enabling technologies
- Hire strong managers
- Give those managers tools to excel
- Consider outsourcing
- Establish and monitor KPIs
- Test, evaluate, test again
- Make IT a Profit Centre, not a Cost Centre

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