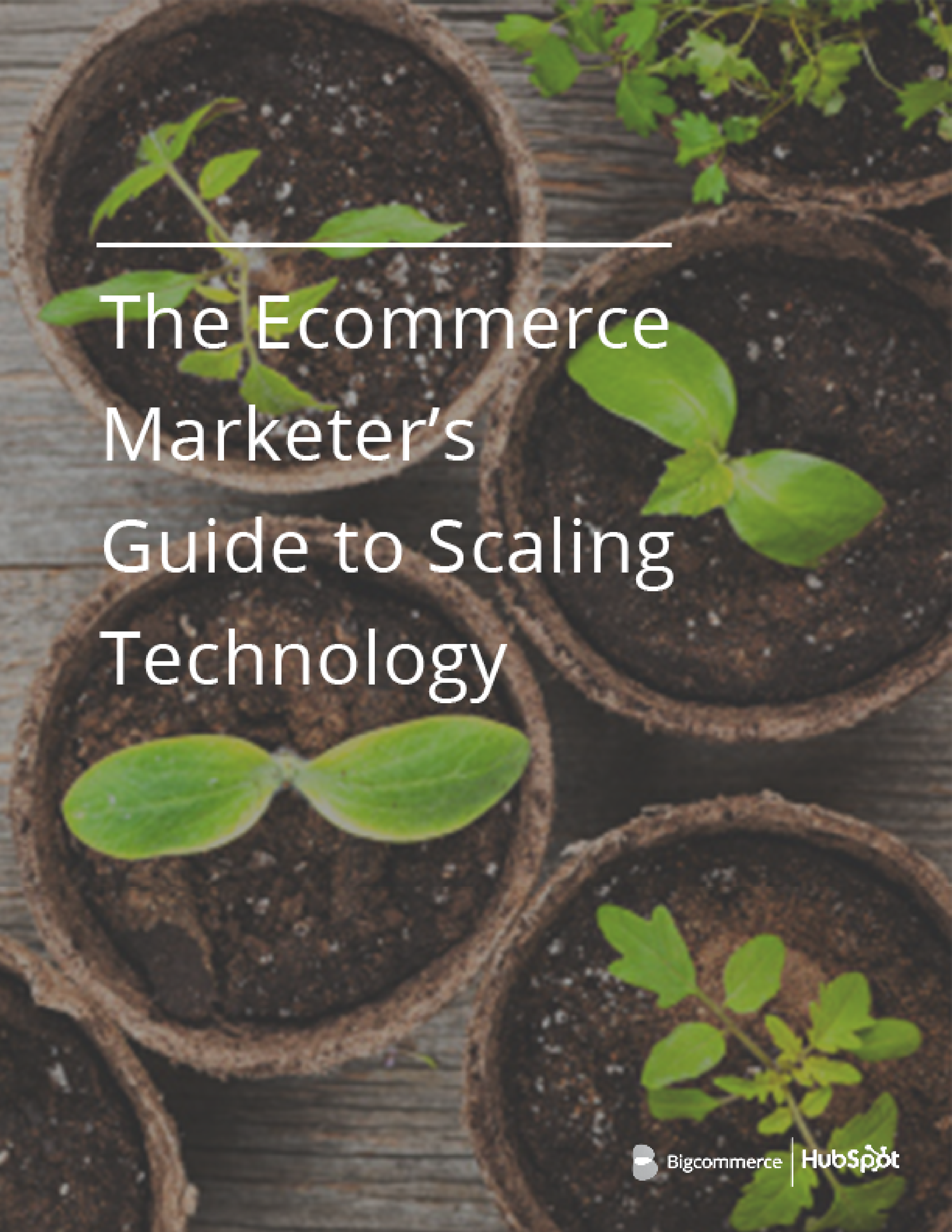


The Ecommerce Marketer's Guide to Scaling Technology

Bigcommerce | HubSpot

Table of Contents

INTRODUCTION

The Ecommerce Revolution

In the past, the cost to entry for ecommerce was incredibly high – and few stores outside of the big box brands could open their own online stores. Now, it is equally affordable to own your own site, to utilize powerful branding and marketing to increase your revenue and brand awareness, and to become one of the two million small businesses advertising on Facebook.

Welcome to the age of ecommerce democratization – where every day people can start up a store, market authentically, build a loyal community and scale.

With scale comes its own challenges. For brands that have gone from startup to making more than $1 million in a short period, you have to learn to ensure reliability and uptime, create a mobile solution, address online security concerns, and have a shipping and logistics strategy that can scale. As long as you're thinking long-term, you can make choices that ensure that your technology will grow with you.

In ***The Ecommerce Marketer's Guide to Scaling Technology***, we'll show which potholes you need to avoid to be able to scale your technology as you grow, and provide tips to help you get out ahead of your competition. Are you ready to join the ecommerce revolution?

CHAPTER 1

Reliability & Uptime

It may sound rudimentary, but for a small company to grow at scale, reliability and uptime are critical to keeping customers happy and business running smoothly. Planning for the best means planning for the worst. Don't let your own success bring about your failure.

Oftentimes, big jumps in visitors hitting your site thanks to promotions are unexpected (think of publication gift guide roundups from Mashable and the Huffington Post, to name a few). Or maybe they're from high traffic from an appearance on Shark Tank or a product mention in your new documentary or TV show.

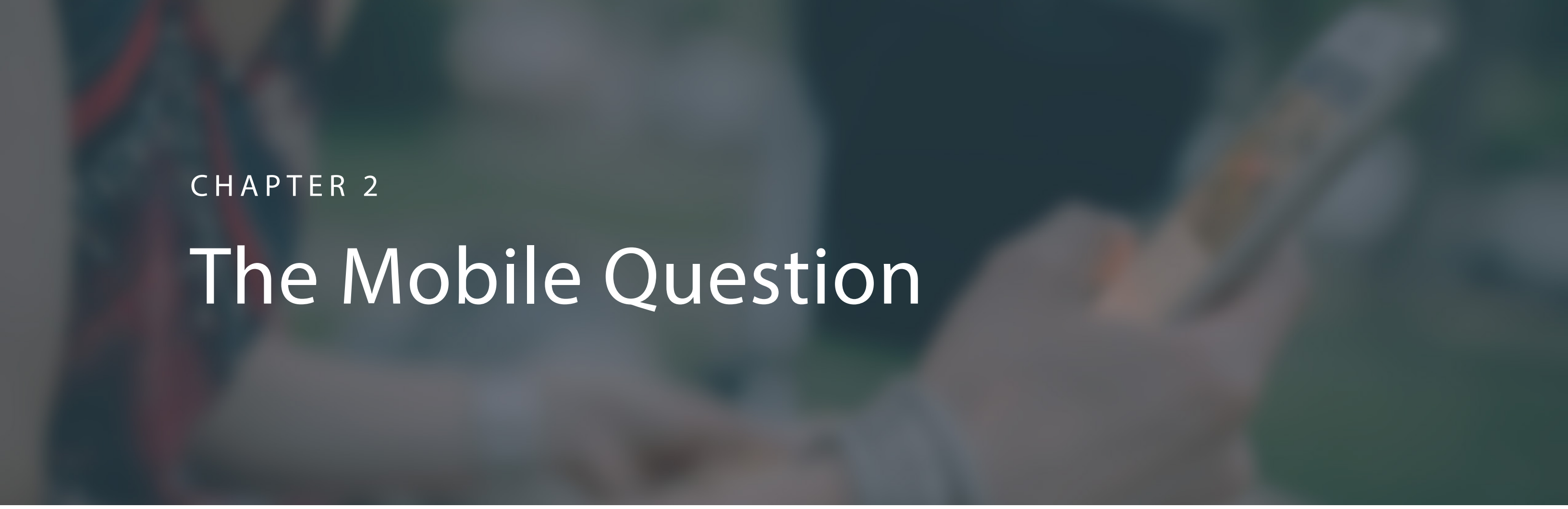
Because of this, many rapidly growing ecommerce companies have opted out of the traditional on-premise, self-hosted or built-in-house ecommerce solutions and gone with SaaS platforms instead. Then again, so has Beyonce and Fadar Fort. Samsung, too, is testing it out. Even the guys from Duck Commander are forgoing in-house solutions in favor of the newer cloud-based options.

40% of visitors will abandon a website that takes more than 3 seconds to load.

Managing Increased Traffic (and Minimizing Load Times)

Why? Well, because doing so can save you upward of $60,000 per year on maintenance alone – while achieving 99.9% uptime in the form of an SLA. Regardless of the solution you choose, you need to be prepared and confident that your online store can handle the load.

And beyond just being able to handle the increased traffic, you need to make sure that your website loads fast enough. Akamai and Gomez.com, two Internet performance companies, found that 40% of visitors will abandon a website that takes more than 3 seconds to load. This makes load time even more critical to the success of your ecommerce company.



CHAPTER 2

The Mobile Question

The Necessity of a Mobile Strategy

In July 2014, a study analyzing the SEO of the top 500 retailers for Internet Retailer's Mobile 500 guide found that the mobile adoption rates across those top 500 retailers were as follows: 59% use dedicated mobile sites, 15% use dynamic serving, 14% had no mobile presence, just 9% were responsive. In all, that's less than 50 of the top 500 retailers using responsive, and that is still about a 3x increase from 2013 adoption rates.

Of course, if that study were to be run again this summer, responsive is likely to take up a larger chunk of that mobile-friendly pie. After all, Google's most recent algorithm update penalizes brands not effectively addressing their mobile consumers' needs via a mobile-ready site.

For many retailers, addressing the Google algorithm update meant installing responsive design as a catch-all to not lose their Google ranking –– and that's a great thing for both those brands and their customers. We are currently at the internet tipping point in which mobile and desktop use runs parallel. Mary Meeker predicted this moment in 2008, and a wealth of other experts agree with her that desktop internet use will continue to level off as mobile rises.

What took the ecommerce industry, then, so long to respond to the rise in power of mobile internet? No, it isn't that the ecommerce industry is slow, nor that it was unaware of the trend.

Instead, it came down to the numbers: mobile visitors convert at drastically lower numbers than desktop visitors. Lower conversions means lower revenue, even if you site traffic is up. 53% of U.S. consumers surveyed reported they've never purchased on their smartphones. To put that in perspective, for in-store and desktop checkout, only 4 and 6%, respectively, said they have never completed a purchase via those outlets.

Yet, the lower usage of mobile commerce in comparison to in-store or desktop purchasing is no reason to ignore the platform. With malls losing dominance in the mind of the consumer, window shopping has moved to smartphones, where users can browse sites and products, bookmark what they like –– typically by sharing it socially –– and then purchase either in store or on desktop, where typing in card information is considered more convenient. Ecommerce businesses must go mobile if they want to grow.

Responsive Design, Mobile Apps, and Marketplaces

Yes, Google now basically requires responsive design for you to rank on mobile search and it is certainly wise for your ecommerce site to indeed be responsive. After all, even during work hours people are using their phones to shop (we are all innocuous shoppers), and you don't want to lose out on a sale simply because your site wasn't convenient for a mobile browser.

Alternatively, there are multiple services that can help your brand create a mobile app quickly. Mobile apps can create a personalized ecommerce experience for your customers in an individual app. However, with an app, you require your customers to download another app to their phone (as well as remember their Apple or Android store login to do so.

Of course, there are also marketplace apps that function much like the online marketplaces you are familiar with including eBay, Amazon and Etsy. These mobile marketplaces include apps like Shopkick, on which brands including Walmart, Crate & Barrel, Macy's and more already have a presence. It's a more approachable app experience, since the app is applicable across brands.

In other words, whether your create a branded mobile app or join a marketplace, having a presence in an app increases the possibility for mobile conversions and can help prove the business case for staying mobile-focused first.

Finally, we are moving away from creating one-stop-shop websites that function only on one device, browser or the like. The internet's purpose has always been to democratize information –– and now, its helping ecommerce businesses democratize their product offering across possible touch points.

Mobile: More Than Technology

Even with responsive design and a presence in a mobile app, your ecommerce business isn't done yet. There is more than just technology when creating a scalable mobile strategy. What does mobile friendly mean here? Short posts (less than 100 characters) with links to pages that are responsive and easy to use while on a smartphone.

This isn't necessary all of the time. During work hours, most people are on desktop, following their own industry news and taking a couple five to ten minute breaks. Give these users content and links that provide useful, actionable information or offer a quick, convenient method to purchase. Retargeting can work well. And during commuting hours? Optimize for any potential conversions with mobile-ready content. You'll be addressing your customers' needs by meeting them on the platforms that they're using.

CHAPTER 3

Online Security & Protection: PCI Compliance

The modern world of technology can be frightening place. Sure, the internet has democratized information for developed countries, and is continuing to do so for emerging and developing countries across the globe. Big data is beginning to reach a catalyst point, at which its use and its profitability are growing parallel –– and at exponential rates. Yet, with all of our modern day technologies and innovations, one very real concern still weighs heavily on the mind of most consumers: security.

43% of companies had a data breach of some sort in 2014

This couldn't be more true in the ecommerce industry –– an industry rife with tales of breaches and hacker takedowns. Whether you're talking Wal-Mart, Target or Home Depot –– few retailers are safe. In fact, in 2014, reports showed that some 43% of companies had a data breach of some sort.

That's a lot of information falling in to the wrong hands. As a small company, it can feel catastrophic. But, before you really start to worry, know this: there are solutions available to you as you scale.

What are PCI (Payment Card Industry) Data Security Standards (DSS)?

The [PCI Security Standards Council] (PCI SSC) defines a series of specific Data Security Standards (DSS) that are relevant to all merchants, regardless of revenue and credit card transaction volumes.

Achieving and maintaining PCI compliance is the ongoing process an organization undertakes to ensure that they are adhering to the security standards defined by the PCI SSC.

The SSC defines and manages the standards, while compliance to them is enforced by the credit card companies themselves. Again, these standards apply to all organizations that deal with cardholder data. Cardholder data refers specifically to the credit card number, along with cardholder name, expiration date and security code (CSC).

And, here's the kicker: it is a retailer's responsibility to ensure PCI compliance.

How Do You Maintain Compliance?

For online retailers operating a SaaS based ecommerce store that do not have any access to any credit cardholder data (which is the case for most modern SaaS commerce platforms), your need for PCI compliance is mitigated entirely. The heavy lifting has been taken care of by the experts working on the backend of your technology. If you host and manage your own ecommerce platform, you will need to ensure PCI compliance for your organization, and the first step is to determine the required compliance level.

All online merchants fall into one of four levels based on credit or debit card transaction volume over a 12-month period. Level 1 is the most strict in terms of DSS requirements, where Level 4 is the least strict.

Almost all small and medium sized businesses (SMBs) classify as the lower Level 3 or Level 4 merchant, however, this does not preclude the necessity to maintain compliance with the same diligence as larger organizations. In fact, it's a costly misconception encountered amongst SMBs who believe they do not need to worry about compliance at all because they don't do a significant enough volume of online or in-store sales.

How to Achieve PCI Compliance on Your Own

The PCI DSS follows common-sense steps that mirror security best practices. There are three steps for adhering to the PCI DSS – which is not a single event, but a continuous, ongoing process.

First, Assess:

Identify cardholder data you are responsible for, take an inventory of your IT assets and business processes for payment card processing, and analyze them for vulnerabilities that could expose cardholder data.

Second, Remediate:

Fix vulnerabilities and do not store cardholder data unless you absolutely need to. Wherever and whenever cardholder data can be retained by an external qualified body instead of yourself is ideal, because nothing reaches immediate compliance more quickly than not storing or transmitting credit card data at all.

Third, Report:

Compile and submit required remediation validation records (if applicable), and submit

compliance reports to the acquiring bank and card brands you do business with.
Keep in mind that online merchants over a certain size require quarterly external vulnerability scans. The largest merchants require outside compliance audits.

In all, online security and data protection standards are continuously rising and compliance is critical to allow your company to grow. SaaS technologies build this type of protection into their platforms but for online businesses not using a SaaS solution, they are required to achieve compliance levels akin to any other online merchant.

Online security is beginning to reach that point at which market saturation is high. This means that people are seeing online data protection as a necessity rather than a nice-to-have. Sure, big name breaches brought the issue into the public eye, but since then, much has been done to educate the public and online merchants as to the full scope of the problem and the possible solutions.

CHAPTER 4

Shipping & Logistics

Amazing marketing and incredible customer service won't get you very far without sourcing, inventory management, order fulfillment and shipping processes in place! And you need a solution that can grow with you (shipping everything yourself from your garage probably isn't viable in the long-term).

Introducing Dropshipping

Dropshipping allows store owners to fulfill orders directly from a wholesaler or manufacturer. That means that you don't have to worry about inventory management or shipping; you simply transfer orders to a dropshipping partner who handles all of the inventory and logistics.

Before dropshipping, there were two significant ecommerce models:

1) Make a unique product from scratch.

Do you love knitting cashmere cat sweaters? Great! You'll have a completely unique product to bring to the marketplace. But can you create demand and scale your business?

2) Purchase inventory in bulk.

You won't need to develop a new product, but you might get stuck with a garage full of widgets you can't sell. If you do get traction, you'll need to tackle fulfilling and shipping orders on your own.

With dropshipping, you are only responsible for marketing and selling the products. Another person in the supply chain worries about product, inventory, packaging and shipping. But that means rather than finding efficiencies in the system, you'll need to get very clever to take on Amazon, big box stores and other dropshipping ecommerce stores.

The Pros of Dropshipping

+ No startup capital.

If you're just getting started, dropshipping lets you launch without investing a lot of money. Traditional retailers need to buy and store inventory in order to sell it to consumers. But if you're using a dropshipper, you can offer a full catalogue of products with little overhead.

+ Less hassle.

You don't have to deal with on-hand inventory, which means that you don't have to handle packing or shipping either. This lets you focus your time and energy on marketing and growing your business.

+ Easily expand your offerings.

If you want to expand your offerings, dropshipping is a great way to test new products with your audience. This will allow you to truly see if they're a market fit without having to invest in large amounts of expensive inventory up-front.

The Cons of Dropshipping

- Managing the logistics.

The logistics can be hard to overcome as your business expands and is even more of a challenge if your supplier relies on multiple warehouses. Poor logistics management can lead to a subpar customer experience, due to improper tracking numbers, incorrect addresses or to a subpar customer experience, due to improper tracking numbers, incorrect addresses or shipping delays.

- Low barrier to entry.

This sounds like a positive, and it is. But because of the low barrier to entry, plenty of other people will be selling the same products. This means there's stiff competition. Remember, if a supplier dropshipping for you, they'll dropship to anyone, and that makes it tough to stand out.

- No control over the packaging.

If you're an online-only store, the very first physical interaction you have with your customers is when they open their purchase. If you're dropshipping, you give up control over packaging. That means no special touches or cute thank-you cards that really make your store stand out. Most reputable dropshippers will at least allow for private label shipping with customized invoicing and packing slips.

- Tight profit margins.

It's difficult for small businesses to compete on price, and the nature of dropshipping means you aren't selling a unique product. Make sure you are ready to invest in something that will differentiate your store, like great educational resources, strong copywriting, or building a niche market.

Avoid These Common Dropshipping Mistakes

Once you've decided to dropship, make sure you avoid these common mistakes.

Expecting Your Products to Sell Themselves

As mentioned above, dropshipping automatically puts you in a competitive space, because others are selling exactly the same thing that you are. It's all too easy to think that you'll be able to set up dropshipping for your store and then have an instant money-maker. The opposite is true — when you're dropshipping, you need to put all of the time that you save on shipping and fulfillment into marketing and SEO. Those are the elements that will drive traffic to your store and make you sales when you're a dropshipper. Since you can't control the fulfillment or packaging with dropshipping, you always want to put a priority focus on quality customer service and giving customers a positive experience with the parts of the buying process that you can control.

Another way to stand out from the crowd when dropshipping is content. Use content to differentiate and create a community of people interested in your brand. And, kickass product landing pages are opportunities to put your products in the best light.

Relying Too Much on One Supplier or Not Testing Suppliers

If you rely on one supplier without having a back-up, you're setting yourself up for logistical issues down the line. What if they raise their prices to a point you can't afford? Or go out of business? Or simply decide not to work with you any more? Even on the less drastic end of scenarios, they could be out of stock on a product and have no idea when they'll get it back in stock. Always have a backup supplier that you can turn to if your go-to supplier doesn't work out for a particular order.

Every time you start working with a new supplier, you should make sure that they cut the mustard by placing test orders. When you get the order, examine it closely, considering the packaging, shipment time and so on, and make sure that everything is top-quality. It's a good idea to continue placing test orders on a somewhat regular basis. Fulfillment is critically important to any online business, and you want to catch any slips in quality.

Stressing Over Shipping Rates

Dealing with shipping rates can be a hassle, even if you ship all your orders from one location. If you ship from more than one warehouse, or dropship through multiple suppliers, it can be a nightmare. What if an order draws on two different warehouses, or three different suppliers?

Instead of stressing about multi-location shipping on every single order, take a step back and look at the big picture. What are you trying to achieve? Accurate shipping rates? Or more sales, happy customers, and repeat business? If you're burning energy over shipping prices on every single order, that's energy you're not spending on creating a better shopping experience, growing your store, marketing and so on.

So what should you do instead? Take a look at past orders and use them to work out a flat shipping rate. Or perhaps a tiered rate based on cart value. Will it cut into your profit margins? Yes, on some orders. But you'll come out ahead on others, and if you've set your flat rate properly, shipping costs will even out over time. Also, flat rate and free shipping has been shown to increase conversion rates—one of the main reasons customers abandon their shopping carts is because of shipping costs. A flat shipping fee removes confusion and seemingly "hidden" fees that show up at checkout.

As you can see, dropshipping isn't a one-size-fits-all solution, but it can be a great way to start or scale an ecommerce store. But, at every stage of your business, you need to step back and evaluate whether or not dropshipping makes sense for your store.

CHAPTER 5

Measuring Success

Now that you've tackled technological issues that could prevent your ecommerce company from reaching its full potential, it's important to take a step back and figure out how to see if you're tracking towards your goals.

The Internet Has Leveled the Playing Field

The internet has an infinite amount of benefits, but one in particular that has wholly disrupted business operations. The world wide web allows for equal and fair access to websites, which means that startups and small businesses are essentially on an equal playing field with their big box competitors when it comes to ecommerce.

This makes for a monumental advantage when it comes to smaller ecommerce shops. Through an easy checkout process, excellent customer service and a smooth delivery experience, startups and small businesses can oust competitors who have long been household names. This is exactly what Warby Parker did, ousting Luxottica, or what Rent the Runway did, ousting David's Bridal, among others.

Of course, as legacy brands become more and more educated to the power of ecommerce, their large budgets follow. And, more often than not, those budgets are going toward analytics that help these brands optimize for repeat customers and quickly notify them to what is working on their sites and what is just sitting in inventory.

In other words, legacy brands do have a leg up on smaller retailers when it comes to ecommerce and it's in the amount of intelligence they are using to drive conversions and increase revenue. Your big box competitors aren't simply monitoring new and repeat visitors, or from where their web traffic comes. No, they are using enhanced ecommerce analytics to push visitors down a purchase funnel from the moment they land on the site.

But technology means that these metrics are available to you, too. Technology enables you to be able to look at the top metrics these retailers are using, and apply them to your own business. In fact, it is critical that you do so to grow.

Cost of Acquiring a Customer (CAC)

Before customers can begin purchasing on your site, you need to get them there first. Big box brands have an advantage here in that they have marketplace name recognition. In other words, people will simply type their name into Google and land on their page.

For smaller retailers, you'll likely need to spend some cash to get your target customers to your site. The cost of acquiring a customer metrics, or CAC, reveals how much money you spend throughout the acquisition funnel, from creating an ebook or promoting a post on Facebook, to having a visitor come to your site because of the ebook or promotion, all the way through to their finding a product they like and finally checking out.

The cost of customer acquisition is the amount of money you have to spend to get one customer. The lower the cost of acquisition, the better: i.e., you always want your cost of acquisition to go down. As a quick example, your CAC is $40 if you need to spend $200 to get five visitors to buy on your store.

You may employ different techniques to bring in those visitors — SEO, paid ads, high-quality content, social media — but all of them cost you either in terms of money or time.

There are a lot of factors that affect your cost of customer acquisition, but it is important to get an accurate number here. As a best practice, you should always try to find marketing outlets that lower your CAC valuation.

Conversion Rate

Once your store gets traffic, you need to see how many visitors are buying. Conversion rate reveals just that.

Conversion rate is defined as the percentage of visitors who end up buying from your store. The higher the conversion rate, the better. When it comes to conversion rate, you always want it to be going up. As a quick example, your conversion rate is 2% if 2 out of 100 visitors buy from your store.

There are hundreds of articles out there on how to improve conversion rates –– because it is just that important. There's so much emphasis on conversion rate because it directly affects your business's bottom line. Regardless of how much effort you spend on driving traffic to your store, if most visitors don't end up buying, it's all wasted. That said, it's really important to make sure you know what your conversion rate is at all times and keep tabs on whether it's improving and if you should stay the course or not.

> Your shopping cart platform, if it is fully integrated with your marketing solution, can generate your conversion rate for you, without needing to manually pull information from multiple sources.

Shopping Cart Abandonment

When your conversion rate is low, you need to understand how many visitors had an inclination to buy. To do this, you'll want to examine your store's cart abandonment.

This metric indicates the percentage of visitors who added products to their shopping cart but did not complete the checkout process. The lower your cart abandonment rate, the better. As a quick example, your shopping cart abandonment is 75% if 75 out of 100 visitors with a cart leave without buying.

> Technology is a critical part of assessing your cart abandonment metrics. Your shopping cart platform should be able to tell you this information, so you can act on it.

Cart abandonment is the closest you come to earning real customers before they leave your site. Adding to the cart typically indicates an intent to purchase. The fact that they leave without buying means you lost potential customers. It gets especially bad if you paid a lot of money to get these visitors to your store. Making sure your cart abandonment is low is key to improving your conversion rate.

Average Order Value (AOV)

You should monitor how much money each order brings in to see how much revenue you can generate. That's what AOV tells you.

This is the average size of an order on your store. The higher the average order value, the better. For example, your AOV is $35 per order if you made $140 from 4 orders.

By monitoring AOV, you can figure out how much revenue you can generate from your current traffic and conversion rate. Being able to predict revenue is a big deal for any business. If most of your orders are really small, that means you have to get a lot more people to buy in order to achieve your target. It's important to have at least a few high value orders so that your overall average is on the higher side.

Churn

If your LTV is low, it could be that many of your customers buy once and never return. This is measured by what is referred to as "churn."

Churn is the percentage of your customers who do not come back to your site. The lower the churn, the better. For example, a churn rate of 80% means 80 out of 100 customers do not come back to buy from your store.

As we have seen, to ensure a high profit, it's important to influence your customers to keep coming back to purchase. That means you want your churn to be low so that once you acquire a customer, they continue to come back and purchase again and again. Lower churn means higher LTV and a healthier business overall.

Once you start measuring your ecommerce store performance and using data to drive your business decisions and strategies, you'll be well on the way to enterprise-level success! No big box retailer takes action without measuring the impact and neither should you. Monitor your metrics, pivot when and where necessary and make the most of your both your time and money in order to build a successful brand.

Conclusion

In the current democratization of ecommerce, the barrier to entry has lowered. Technology is here to help you grow, as long as you keep an eye to how it can help you scale in the long-term. It can help you ensure reliability and uptime, create a mobile solution, address online security concerns, and have a shipping and logistics strategy that can scale.

And, more than just lowering the barrier to entry, technology has made it is easier than ever to scale as an ecommerce company and disrupt the big box brands. Smaller ecommerce companies are more agile than larger brands and can meet consumers where they are, on a faster timeline. This adaptability is critical to the ability of your ecommerce company to grow and scale.

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