

A Beginners Guide to the Costs of Web Development

A White Paper by



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1. Introduction

The continued pervasive growth of web technologies and services, especially of the type labelled 'Web 2.0', is creating new opportunities and threats for businesses that, until recently, have regarded the web as little more than glorified advertising space.

Opportunities because of the way the web can open up new markets or enable greater efficiency in business processes. Threats because new entrants may exploit those opportunities before existing businesses have identified them.

Whichever side of the divide you find yourself in, you probably already realise that now is the time to act. Many businesses, both new and established, with no previous background or knowledge of technology development are making their first serious investment in the web to grow, change or create new opportunities.

Such businesses are understandably nervous about what is often a significant amount of money. How do you know what you need to budget for? How can you ensure you get value for money from your supplier?

If these are the sorts of questions you are asking yourself, then this white paper is for you. Although it is written in terms of website development – in fact many of the same principles apply to any kind of technology investment.

We don't deal in specific numbers about how much to spend, or how much your supplier might charge you. Only you can decide what is right for your business and the goals you are looking to achieve. Besides, any figures we may give are likely to go out of date very quickly.

The aim of this white paper is to introduce you to some of the key considerations, so you can factor them in to your decision making.

2. Budgeting for the Long Term

Any website that is going to help develop your business is going to be a long term investment.

From the point of view of the technology itself, the costs can be broken into three main categories:

- Development
- Hosting
- Support

There are of course additional considerations, such as internal employee management and administration costs, but these are not dealt with in this paper.

2.1. Development

Development, as you might expect, is a project based cost. It is likely to be the biggest cost, and also one that you will have to bear before you see any return on the investment.

You should expect payments to be staged, with a percentage paid up front, but always ensure that a good proportion is kept back and only paid out once you are satisfied the supplier has delivered what has been agreed, and that it works the way it is supposed to.

Look out for a warranty period after the completion of development – this would typically involve fee free fixing of any bugs or errors that are discovered as a result of using the website in its real environment after you have signed off on any testing.

However be aware that it is your responsibility to actively look for any such bugs within that warranty period. No professional developer leaves bugs in on purpose, but in complex applications they do occur and can sometimes be the result of changes beyond the control of the supplier. So outside the scope of any warranty period you will be expected to pay for getting them fixed.

Development costs may also include license fees for software, but you should ensure that if the licenses have a time limit on them, the clock only starts ticking once development has been completed or at least is almost finished.

2.2. Hosting

Your website has to sit somewhere on a web server so that it can be found. During development your supplier will host the site on a server designed for that purpose, but once completed it will need to be transferred to a live environment that will be able to cope with the volume of traffic you expect to receive without users suffering any slow down in performance.

Hosting is a monthly cost and you will typically be expected to sign up for a minimum of 12 months.

There are a wide range of options for hosting – from free or almost free, to extremely expensive. This is a highly competitive market place – so whatever you pay expect the level

of service you receive and the performance of the provider to be appropriate to the fee. It is very important to consider issues like back-up services and disaster recovery when choosing a hosting service, or to include them as part of a support package.

Before committing to any hosting agreement – make sure the website is compatible with the providers' servers – which may not always be the case. It is therefore wise to either make sure the developer can make the site compatible with the servers (in which case choose your hosting provider first), or take their advice on suitable suppliers (which may well be themselves).

2.3. Support

The web is a very dynamic environment, which is one of its core strengths. Both visitors and search engines will rate your site more highly if its content changes regularly. You will also want to make changes as your customers' needs change, or you understand them better.

You therefore need to consider how those changes will be made. Some you may be able to do yourself, but others may require the same level of technical skills as were involved in the development in the first place.

In addition, technology, like everything else, is imperfect. Or rather the cost of achieving perfection is higher than the cost of fixing minor imperfections that are only exposed very rarely. Either way, it is inevitable that things will go wrong occasionally, and you will need to allow a budget for fixing them when they do.

If your website has interactive elements or the content is managed by staff through an administration interface, there will be training to consider, and maintenance – such as backing up data and cleaning databases on occasion.

All of these are examples of costs that will occur over the life of your site, each one often small, and more or less unpredictable. Although actual amounts vary greatly, it can be between 10 and 20% of the original development cost each year.

There are two basic methods of dealing with this – both of which are perfectly good in the right circumstances. One is to pay for each change or piece of maintenance work as and when you need it. This works well for very simple sites that don't change very often.

The other is to pay a regular support fee to someone to provide such work as a service. Rather like an insurance policy, you run the risk of paying for something you don't use, but you get the advantage of swift, professional response should you need it.

3. Single supplier or disaggregation?

Having budgeted for the lifetime costs of your website, what is the best way to get value for your money? Should you go to one supplier for all your needs, or different suppliers for different aspects of the service? Or should you even bring the necessary skills in-house?

The answer to these questions of course is – it depends on your circumstances. However there are some basic considerations to guide your thinking.

3.1. In-house

If your new website is going to be critical to your business, and you anticipate the need for continuous long term development, then there is an argument for bringing the skills into your organisation, either by hiring or training.

However it is worth bearing in mind that you are unlikely to get all the skills you need in one person, and that these skills also have to be kept up to date. It is often better therefore to have the management and administration in house, and outsource the really technical skills.

3.2. External Suppliers

It is tempting when using external suppliers to spread the risk around and get them competing against each other to give you lower prices. However this can often be counterproductive. Software development is a professional service, and when companies start cutting their day rates or the amount of time allowed for doing a piece of work, quality can begin to suffer.

Also it takes time for a developer to become familiar with someone else's code, which they need to do before introducing any changes to it. And this is time you might be expected to pay for.

So unless you have good reasons not to – such as pre-existing hosting or software support services that will suit your needs – it is best to choose a single supplier.

Naturally that does not preclude finding that supplier through a competitive process. However, after cost (of course they have to fit in with your budget) probably the most important consideration for a successful outcome then becomes – do you trust them?

Trust is vital in the relationship between customer and supplier providing web services. As the customer the less time you spend seeking justification for every cost, the more you can spend making sure the supplier understands your business and the role their services play in it. And the supplier would rather spend time developing your site, than explaining why it takes so long to do it.

Of course trust must be earned, and is built upon a foundation of open and clear communication. So if you are paying by the hour – you need to know how that time is being spent and you should challenge or seek clarification if you feel your trust is being abused.

So it follows that the more important your investment is to your business, the more you should look to a relationship with a supplier who has a long term interest in helping you to make it work.

When you trust your supplier, one way to get the best value for money is to be open about your budget. Then instead of asking "This is what I want to achieve, how much will it cost?", you can ask, "This is what I have to spend, these are my priorities, what can be achieved?"

With the first question, you are more likely to get an answer higher than your budget because you are likely to ask for functionality that is nice to have but may not be critical. Then you end up spending time subtracting from what you want to get within budget, which can be demotivating for both parties.

With the second question the answer is more likely to quickly become a solution that fits your needs, perhaps gives you some nice to haves, and maybe throws in some good ideas that you hadn't even thought of. In this scenario both parties are more likely to feel happy about the outcome – for the same budget.

4. In Conclusion

A website, and any other bespoke software application needs to be considered as a long term investment, both in terms of the finance and the relationship with the supplier, if it is going to deliver long term benefits to your business.

The most successful projects are those where there is a clear understanding of these two factors between both parties in the customer-supplier relationship, and both parties share responsibility for ensuring such an understanding develops.

5. About Governor Technology

Governor Technology is an independent software development company, incorporated in 2001. From our offices in Central London, we specialise in building CRM systems, e-commerce solutions, database-driven websites, content management systems, web and desktop applications. We have been a Microsoft Certified Partner since 2004, and are a member of the Sage Development Network and UK Web Design Association.

We currently work for a wide variety of clients, ranging from start-ups to multinationals including Microsoft, Saatchi, Euro RSCG, Citigroup, and Thomson Financial/Reuters, and have earned a reputation as a flexible, agile supplier of high quality software solutions.

We have experience implementing and customising all three of the products discussed in this white paper. If you would like to discuss using a CRM system in your company, please give us a call on: 0207 953 7135, or email: sales@governor.co.uk