Unlock **Revenue Growth** and **Profitability**

How BigCommerce lowers your ecommerce **total cost of ownership**

BIGCOMMERCE

Content.

Executive summary.

40%

of the UK respondents who actively shop online revealed they make an online purchase at least once a week.

In the current market, retailers and brands are struggling with the cost of ecommerce acquisition, service, delivery, and their entire technological infrastructure.

Still, consumer demand for ecommerce is strong. Our latest **European online consumer report** proved it: 40% of the UK respondents who actively shop online revealed they make an online purchase at least once a week.

And despite the slowdown in the market over the past few years, the ecommerce market in Europe is forecasted to see continuous growth between 2024 and 2029 — already expected to reach **721.33 billion U.S. dollars in 2025**.

If the future of ecommerce seems brighter, it's not without its obstacles: retailers and brands are expected to maintain competitiveness within this growing market, ensure a seamless customer experience across an increasing varied number of touchpoints, adapt to evolving shoppers behaviours, and implement new technologies.

How can they balance the fallout from the recent economic downturn with the long-term requirement to invest and modernise to keep up with such an evolving market?

They need to take heed of their ecommerce technology's true impact on human and financial resources — its true cost and the additional value it generates for the brand.

But to make the best possible decision, retailers and brands need to better understand the principles of total cost of ownership and return on investment in ecommerce, as well as the impact different technologies and features can have on those.

At BigCommerce, we strongly believe that if you can measure something, you can improve it.

The purpose of this content is to guide all brands and retailers through those principles, transparently showing what BigCommerce can deliver and unlock for enterprises, so they can spend time and resources on what matters the most: converting and delighting more customers.

Mark Adams, SVP and GM EMEA, BigCommerce

Understanding ecommerce TCO.

What is ecommerce TCO?

The total cost of ownership (TCO) is the entire cost of using a solution over a specified time period, often three to five years. With the cost of licensing a platform as a starting point, it includes additional expense items, such as integration, maintenance, infrastructure, third-party apps, security, and other outlays that are required to install and run the software effectively.

Companies can only make an informed decision if they have a good grasp of a product's TCO. Only then can they make a financially-driven decision on which platform is best suited for both their needs, and their ideal budget. It may be tempting to think the licence for a platform is the biggest outlay but, when an expert analysis is carried out, it is just the first of several key investments.

To understand TCO, it is important to identify the individual cost points to get the full picture on how much a platform will cost over its expected operational lifetime.

Understanding costs

There are a plethora of addition costs that ecommerce teams need to consider:

Initial licence — just 15% of TCO

The licence fee paid to use an ecommerce platform is just the start, it should never be considered anywhere near the full cost. In fact, it is on average just 15% of the total cost of ownership. Getting permission to use a platform is just the first step, getting it operational and optimised are where most of the cost is found.

Additional features and extensions

The modern trend in ecommerce is that merchants will typically want a core platform and then consider adding additional services from that provider, or other partners which can operate on its platform. It may be adding a social and marketplace feed management tool, such as BigCommerce's Feedonomics, or perhaps a third payment service supplier. In the world of 'composable' ecommerce, retailers are empowered to customise their tech stack, but they must not forget this is an additional investment.

Implementation costs

This can generally be split into the three stages of designing a user journey, integrating the ecommerce platform with the wider business (such its CRM or ERP) and the project management associated with overlooking the entire process, testing it at apt stages and then releasing the service.

Experience suggests one of the costs at this stage that is often underestimated is the budget needed to be set aside to migrate data to the new platform. It is often more complex than at first considered, particularly if the business wants to vet information to make sure only high quality, de-duplicated data is transitioned to the new platform in an easily accessible, yet secure, format.

Support and service costs

It is increasingly common for merchants to use multiple agencies to help with their ecommerce operations. Ecommerce agencies and design agencies are incredibly useful for setting up and keeping an online and mobile shop operational and looking great as new products are launched. There are also agencies that can help with managing social selling, influencer campaigns, and so on.

Training

Whether or not a merchant opts for an ecommerce agency to set up and run their operation, they are still going to need people trained in how to use their new platform. This is an essential cost, an investment in both the business and its people, but it is often overlooked and so must be factored into decisions.

Maintenance, upgrades, and downtime

This is the area where software as a service (SaaS) makes so much more sense than open-source approaches. All software needs to be upgraded and be patched to fix bugs to keep it working optimally. A SaaS solution, such as BigCommerce, covers the merchant here, taking care of keeping their version of the platform bug free, updated and, crucially, online and operational.

The alternative, which many retailers have to grapple with, is having to consistently fix bugs themselves and roll out upgrades manually. This can be expensive, not just in terms of personnel, but in the associated downtime where a site will be offline.

Operational costs

Merchants will often refer to this as the cost of 'keeping the lights on.' Ecommerce systems need to be hosted and they require infrastructure to link them to a merchant's offices and the internet.

This is another area where it makes more sense to take a cloud-first approach through a SaaS operator where this can be factored into the overall cost for hosting and an agreed cost of scaling capacity to cover large spikes in traffic, such as the Black Friday period.

Compliance

Merchants generally want to concentrate on selling rather than scouring legal texts to ensure they are staying on the right side of the law in each country they operate in. Compliance is complicated because rules around payments and data use, in particular, are very strict and they are constantly evolving. Keeping on top of the compliance landscape can take considerable effort and can be costly, but failing to pay attention can cost a retailer dearly in terms of consumer trust and regulator fines that can amount to tens of thousands, or possibly hundreds of thousands, of pounds.

Time to market

This is a major hidden expense and one that can be costly to companies that choose software that is inflexible and unscalable. Platforms that take up too much integration time or cannot be rolled out into new markets at speed, will cost a company a huge amount of revenue and a slip in market share by delaying their entry.

Exit costs

This is one of those costs few companies will ever consider. However, the cost of decommissioning a platform should be a major question mark, particularly the cost associated with taking out quality data from one provider to another.

Explore deeper

Unlocking Business Value: Total Cost of Ownership

How to determine the cost and value of your ecommerce.

How to calculate TCO

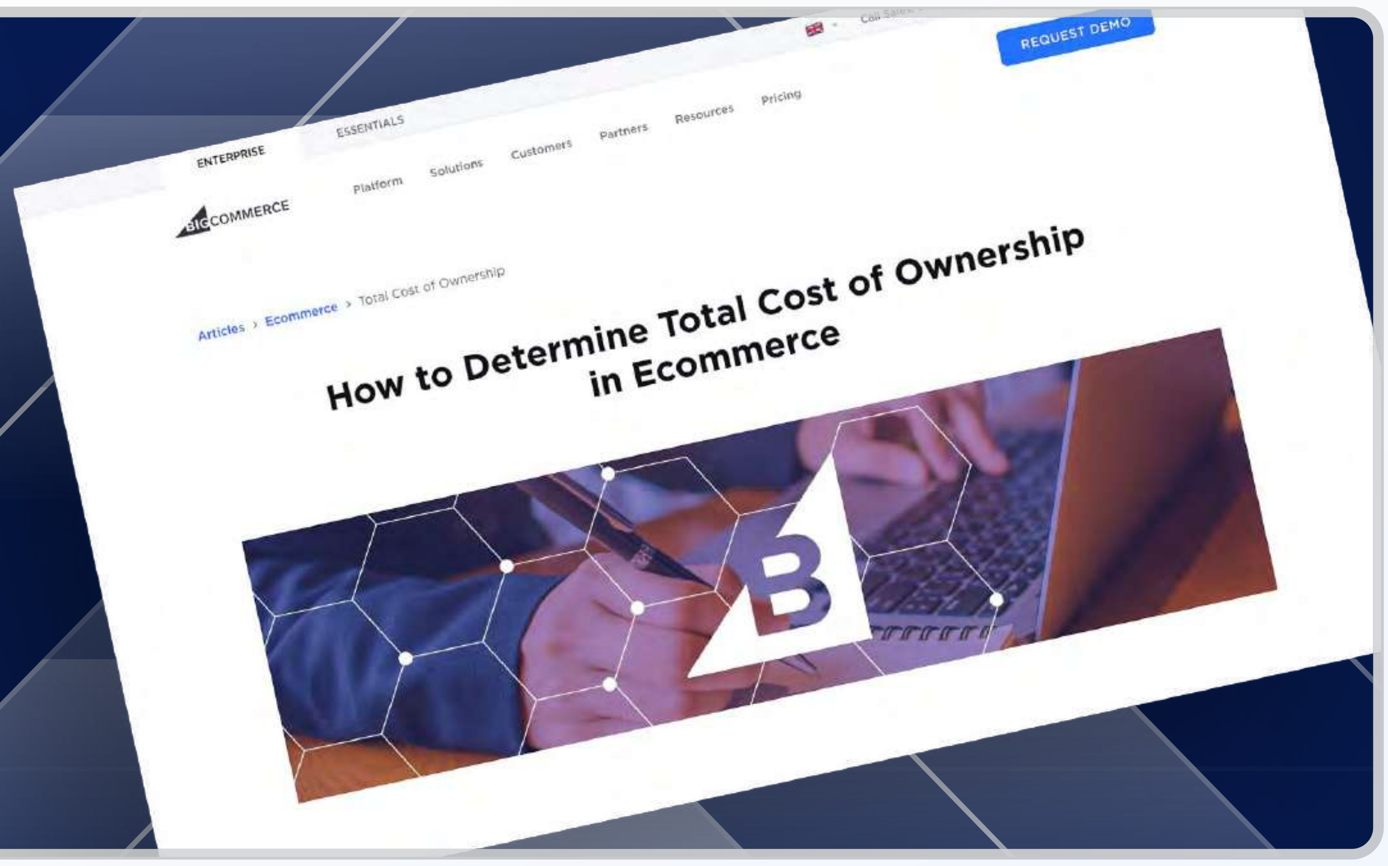
Total cost of ownership is a relatively straightforward calculation. The final answer is reached by first deciding how long a period the expected platform or software solution is expected to be used. This is typically between three to five years for most companies.

The TCO can then be reached by estimating how much a package is going to cost the business over that time period. This is why it is so important to factor in the costs that are not as obvious alongside those that are more easily identified. Quite often, business will include the additional costs that are obvious, such as implementation and add-on features. However, what one might realistically refer to as hidden costs, such as data transfer fees, exit fees, and the full operational costs, can often be overlooked.

A point to bear in mind here is that a SaaS approach can allow the cost to be an operational expenditure (OpEx) and not a capital expenditure (CapEx). This means it can be spread across the lifetime of the platform rather than require the total sum be committed on day one and then treated as an asset on the balance sheet.

Explore deeper

How to Determine Total Cost of Ownership in Ecommerce



Measuring value: introducing the Total Value Indicator (TVI)

There is something intuitively incomplete about a TCO figure. Even though it is very helpful to go through the process of calculating cost, it is still, for lack of a better word, just a cost. Merchants are savvy business people, they know that the price for installing and running a system is only half the story.

To get the full picture, a retailer needs to factor in what they get back for that investment. To ascertain this, a merchant will need to know where their business was in revenue before the ecommerce platform was installed.

Then, finding out the value added — which Mark Adams, GM of BigCommerce in EMEA named the Total Value Indicator (TVI) figure — is as simple as dividing the boost in growth by the overall cost of the ecommerce platform. This gives a far better idea of what a package has delivered, rather than concentrating on what it has cost.

$$\textbf{TOTAL VALUE INDICATOR (TVI)} = \frac{\text{Top line growth improvement}}{\text{TCO over the lifetime of the project}}$$

Explore deeper

Unlocking Business Value: Evaluating the True Cost of Your Technology Investments

Measuring growth to boost profitability

Working out the cost vs value and then factoring in growth is by far a better indicator of the success of an ecommerce platform than a simple TCO or ROI calculation — although both are essential.

However, measuring growth and its impact on the bottom line is a little more involved than dividing growth by the cost of an ecommerce implementation. This is because measuring growth requires insight into the cost of acquisition for each customer, not just how much revenue was generated compared to the price of implanting a new platform.

To get a clear picture, ecommerce consultancy, **Omnicommerce**, uses a simple sum for value creation:

(Number of customers x average lifetime orders x AOV (average order value) x profit margin on those goods) - (the number of customers x CAC (cost of customer acquisition))

−

Monthly overheads

=

Value created by the technology

Effectively it measures how much growth has been achieved minus the cost of attracting the customers who delivered it and then subtracting monthly overheads. It underlines how changing tactics to increase one of the inputs, such as average order value or number of orders, or reduce cost to boost profitability, can have a major impact on growth.

Example: The multiplier effect of moving from 2 to 3 average lifetime orders

(10,000 x 2 x £60 x 70%) - 10,000 x £20
= £640,000

With 10,000 customers placing two orders for £60 at a 70% profit margin, at a cost of acquisition of £20, revenue is £640,000

By encouraging customers to order more, a 50% rise in average lifetime orders can increase revenue by 65%

(10,000 x 3 x £60 x 70%) - 10,000 x £20
= £1,060,000 (a rise of 65% in revenue)

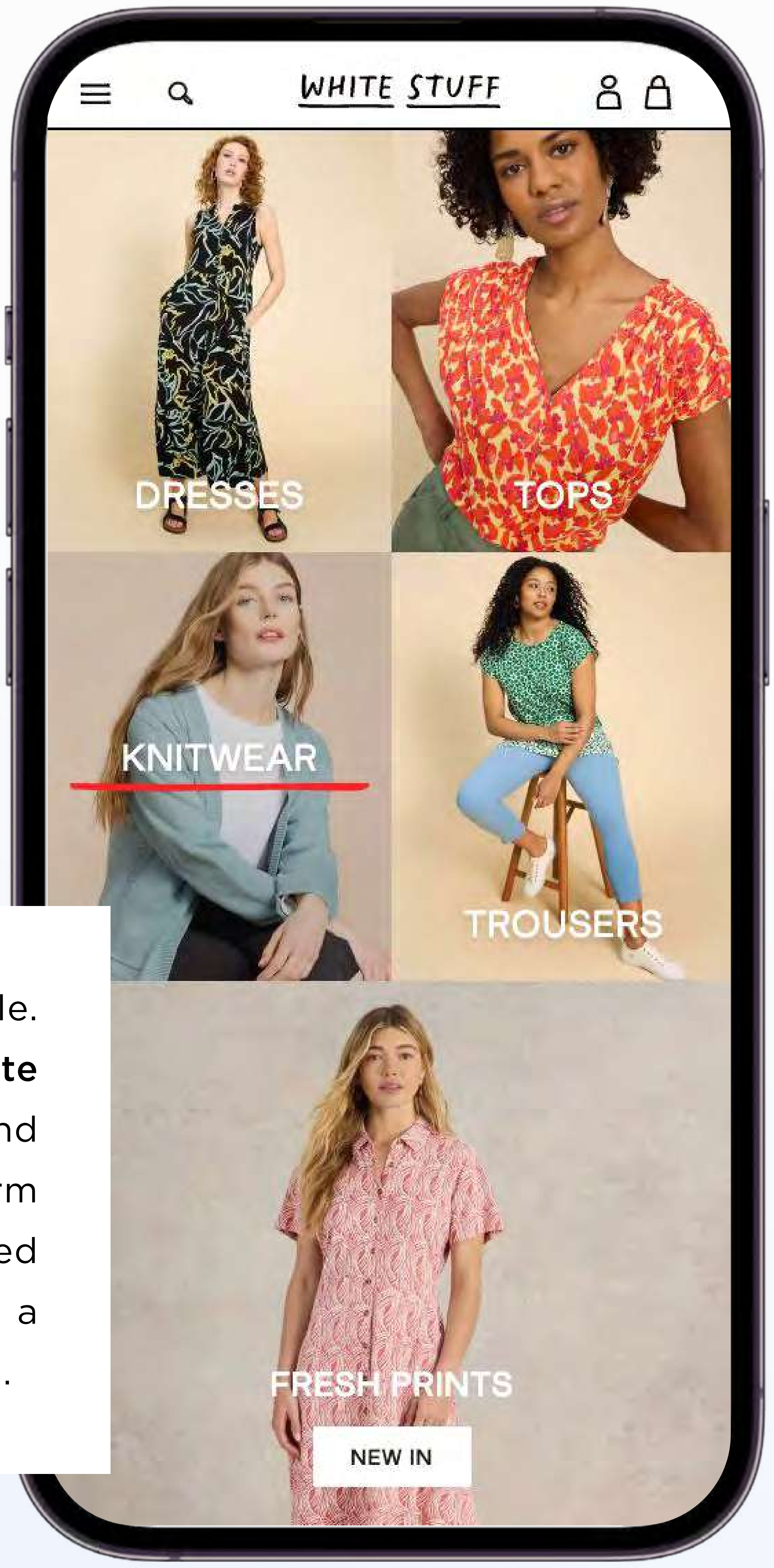
The simple sum highlights some of the areas where BigCommerce's platform can drive growth. Reducing implementation and maintenance costs, for example, improves profit margins. Using the platform to merchandise the right products to the right people will improve order numbers and average order sizes, as will setting up subscription offers, if applicable. Conversely, if many of a retailer's customers typically only purchase once, then goods with higher margins can be prioritised on their screen.

Explore deeper

Unlocking Business Value: Generating Incremental Growth with your Ecommerce Technology

In terms of bringing in more customers for less, the BigCommerce platform's built-in SEO capabilities can improve traffic and its **Feedonomics** tool can help with paid advertising. By getting category and description information set up in the way third-party sites and advertising algorithms require, the cost for each click (and so CAC) can be reduced. More people can be brought to site for less budget per person.

Then, once they are on the site, the frictionless experience of a one-page, native checkout can seriously improve conversion rates, and increase the number of customers and how often they purchase. According to **Incisiv's third-party findings**, BigCommerce's native one-page checkout delivers 61.9% checkout conversion rate and 2.33% visit to order conversion rate when combined with a major payment processor — Braintree, PayPal Commerce Platform, Stripe, Adyen —, PayPal Wallet, and Apple Pay.



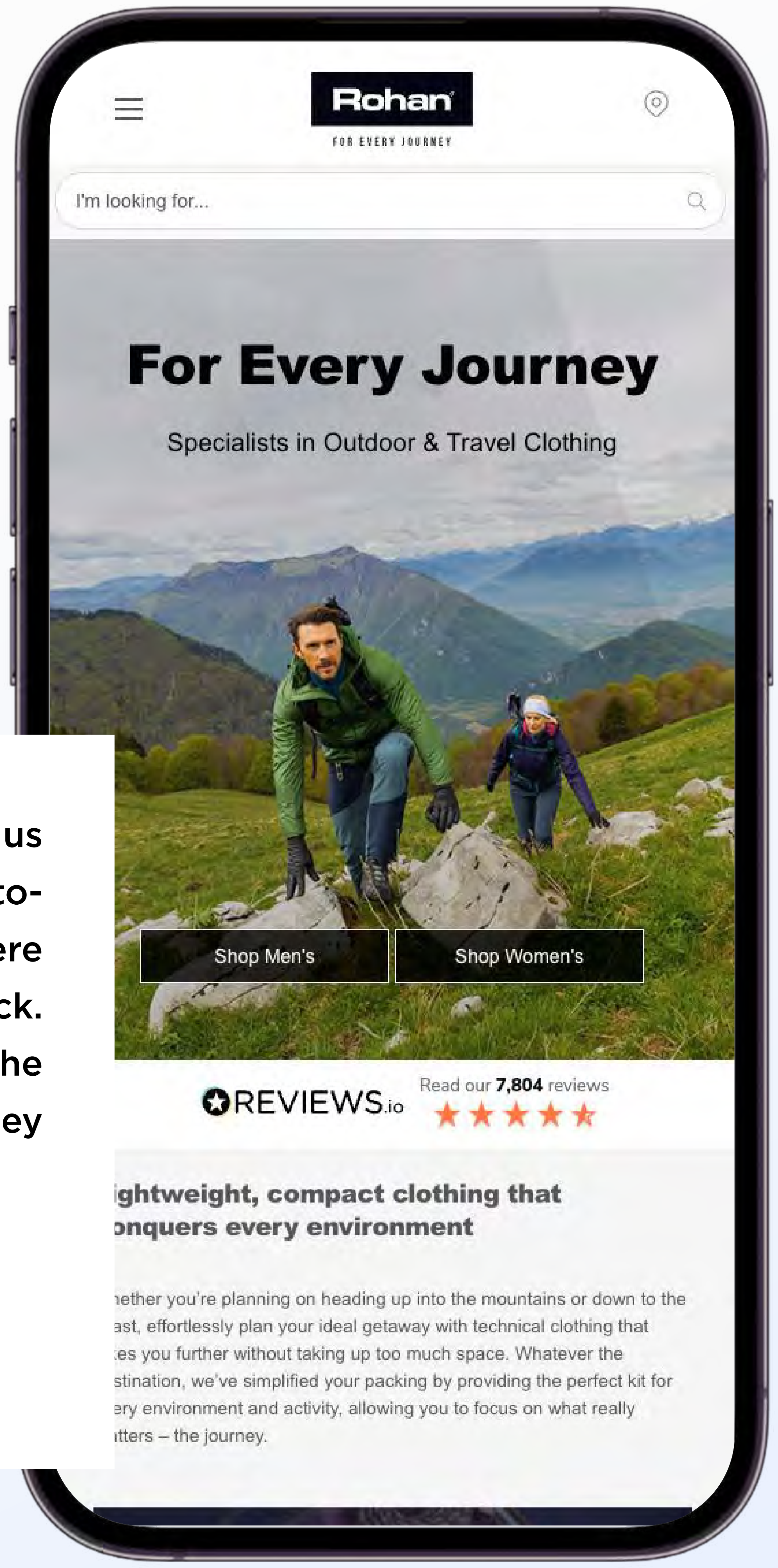
Fashion retailer, **White Stuff**, is a good example. By moving to BigCommerce it saw its **mobile site speed improve by 100%**. The extra speed, and customer-focussed experience of a new platform which offers a frictionless checkout, contributed to a **37% improvement in conversion rate** and a **26% improvement in per session value (or AOV)**.

Revenue boosting features to prioritise.

SaaS gives cost assurance

The biggest consideration all companies should have in mind when considering the total cost of ownership of an ecommerce platform is SaaS or non-SaaS, and then which platform provides a simple route to working with the best ecommerce function providers available.

With SaaS, so many of the costs are built into the licence fee. Aspects such as maintenance, security patches, and bug fixes will nearly always be taken care of by the software provider. The cost of hosting the service and much of the associated infrastructure should also be built in with pre-approved costs when a merchant wants to scale up. This can be for the long-term, such as opening up a new territory, or the short-term, such as dealing with a traffic spike from a flash sale or the holiday buying season.



"From an IT perspective, the project has allowed us to step back slightly from worrying about day-to-day ecommerce trading, because before, we were handling every element of the technology stack. Launching on BigCommerce has allowed the ecommerce department to focus on what they should be focusing on: selling."

Michael Gray, Head of IT, Rohan

Composability

The next consideration is using the best tools within the package, and then adding features and capabilities from specialist vendors. Merchants often want a 'composable' architecture to ensure they add best-in-class features, such as a payments provider who can deliver favourable payment rates. It might be a 'search and merch' specialist tool that is superb at making recommendations or a tool that can open new markets at speed, such as BigCommerce's **Multi-Storefront solution**.

A composable approach will offer a merchant the chance to excel in every area of ecommerce without being left to work solely with the tools provided by a monolithic ecommerce software that does not embrace choice. The key is to pick a SaaS provider which embraces an API-first approach. This empowers merchants to add new services at speed, rather than putting a new piece in a jigsaw that fits snugly, first time. But be careful with API-only platforms. They can lead to additional expenses, especially in terms of developer costs.

"We were spending days or even weeks developing a new campaign or executing changes. With BigCommerce, we can now do this in hours or even minutes because we've got a content management solution and an ecommerce platform that seamlessly plug in together."

WHITE STUFF Steve Borg, Technology and Transformation Director, **White Stuff**

Omnichannel shopping

Merchants instinctively know they must also focus on omnichannel shopping, where consumers are free to start and finish purchases on a variety of channels and pick whether goods are picked up in store or delivered to their home. This means picking a cloud-native SaaS ecommerce vendor that can work seamlessly across the web and on mobile is vital. Making a poor choice here can be very costly in terms of integration fees, overrun deadlines and late entry to market.

Product listing and merchandising

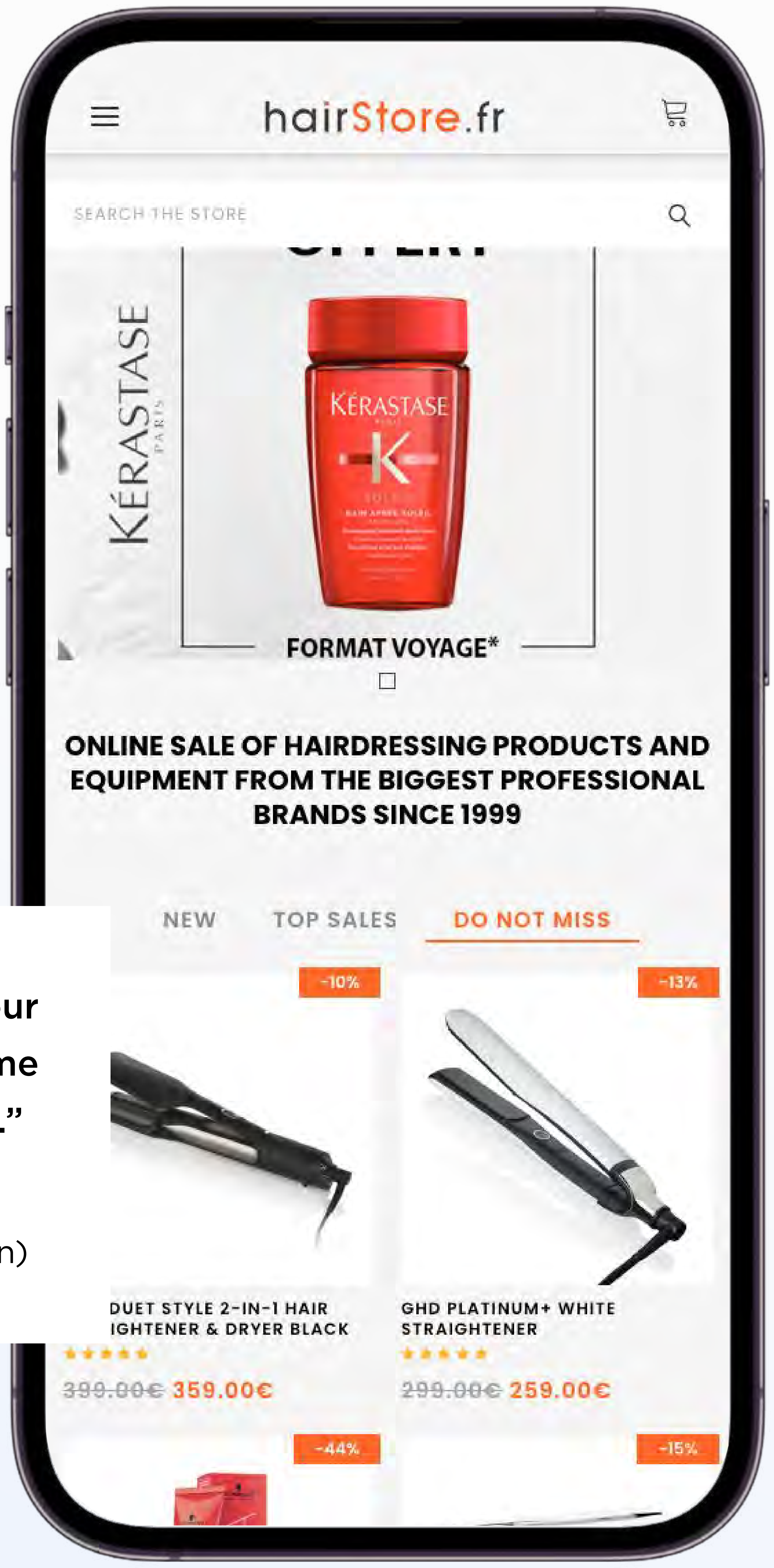
Getting products launched on a site and regularly updated as new models, sizes, colours, and options become available is extremely time-consuming. One way an ecommerce platform can help here is through offering seamless integrations with tools that can automate this process across entire product lines or individual items, with copywriting and specifications automatically generated for the needs and tastes of each market, all overseen by a powerful AI engine.

Payments

This area can all too easily be overlooked, but with some ecommerce platforms, a merchant is asked to stick with whatever payment service provider options are offered as standard.

Ensuring the most apt payment methods are made available in each market is essential for success because preferred options vary greatly and some payment options are only found in one or two markets, and unheard of elsewhere.

Just as important, though, is the option to work with payment service providers that offer the best rates for each type of payment in individual markets. This can vary and one provider may be the best option in one market but not another. The differences can be in fractions of percentages but these can soon add up to be highly significant. To ensure a sale goes through, savvy retailers will use tools that will try a second PSP to be automatically tried if the default option is down.



"BigCommerce saves us time on the launch of our new products, which results in a reduction in time spent on maintenance and therefore the total cost."

hairStore.fr

Marco Da Cruz, Founder and CEO, HairStore.fr (Hair Design)

The BigCommerce benefits.

When Forrester examined the cost reduction and revenue generation improvements offered by implementing and running a BigCommerce set-up, it came to a very clear conclusion.

The cost savings and sales growth offered by the platform means it pays for itself in just eight months and delivers an ROI, over three years, of 211%. The lower cost and growth using BigCommerce adds up to just under $7M.

The Total Economic Impact™ of BigCommerce

Expected savings after 3 years.

$6M+ CX-driven incremental profit

$700K+ by retiring legacy solution

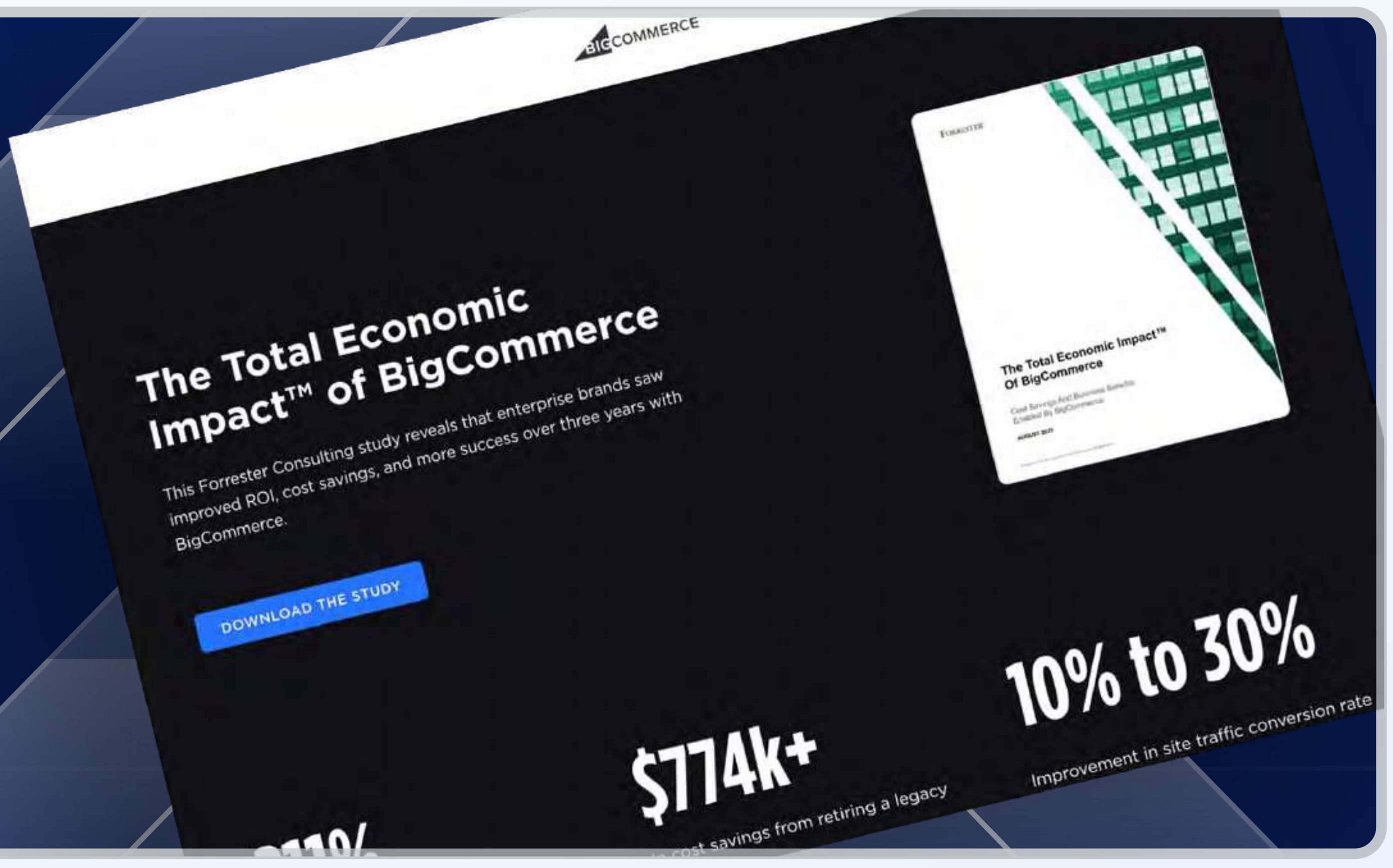
$300K+ incremental revenue retention

$240K+ on catalogue and content time savings

$180K+ on integrations dev time savings

Explore deeper

The Total Economic Impact™ of BigCommerce



Faster time to market

There were several factors behind the impressive reduction in cost and boost in revenue.

Having an ecommerce platform that can scale to match a merchant's ambition is critical. Pushing the button on a new market, or to launch a new product line, or even both, takes a lot of consideration. The last thing a retailer then needs is to find it will cost months' worth of developer time and missed sales opportunities in the meantime.

When Forrester looked at the cost savings just for getting catalogue and content online, and not the extra revenue from selling them sooner, it found BigCommerce delivers $240k worth of savings over three years.

When its researchers approached retailers about the change they had seen in getting products launched and on sale quicker, there was a familiar story. One claimed it was three times as much effort with their previous systems. Another added "If we're comparing apples to apples, we can now do our product listing work in half the time with BigCommerce."

A marketing director summed up the benefit as not having to worry about lengthy delays any more. "[With BigCommerce], time is no longer an issue for our marketing team if they want to scale and launch new products. It's just a matter of having the right information in place."

Cost savings

There are many cost savings associated with choosing BigCommerce thanks, in part, to choosing cost-effective SaaS platform that is composable and simple to integrate with a wide selection of tools.

Forrester points out that the benefit of moving away from the struggle of maintaining expensive legacy software brings the largest savings. In fact, it estimates that retiring legacy systems can save a company more than $700k over three years.

The research group also found that the easier integration offered by BigCommerce's composable architecture contributed significantly to an estimated $180k saving in developer time, in addition to $240k savings for more timely content publication.

Long-term ROI impact

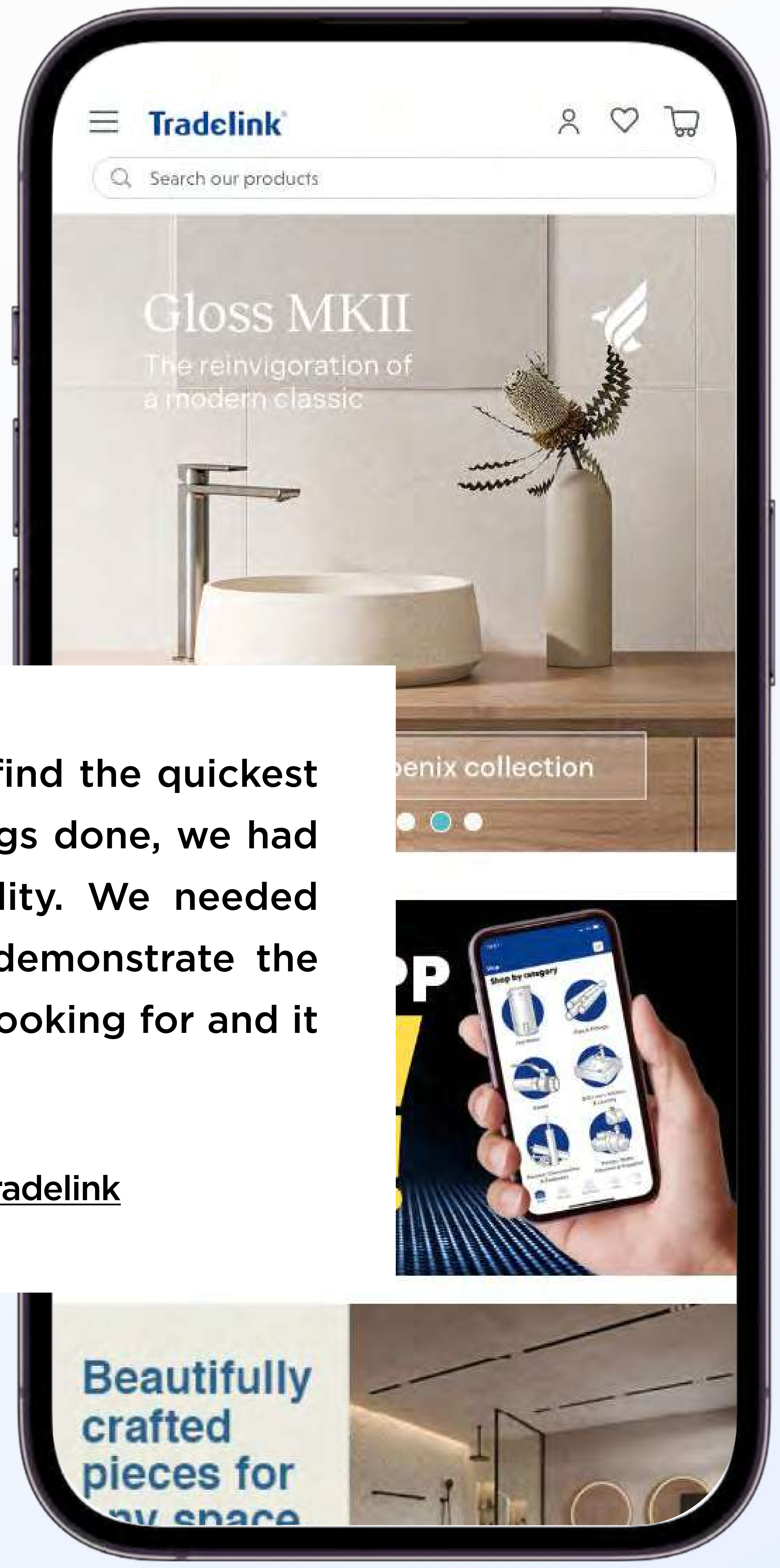
Forrester estimates that it only takes 8 months for the reduced cost and improved revenue streams of a BigCommerce implementation to pay for itself.

Over a three year period this gives an ROI of 211%.

Higher competitiveness

The quick payback period and impressive ROI recorded by Forrester are not only due to cost savings. More positively, the most decisive factor for a BigCommerce implementation is improved competitiveness and sales.

In fact, Forrester estimates an incremental profit gain of $6.5M over a three year period and as well as $319k worth of incremental revenue protection. That means not only are merchants retaining sales that might otherwise have gone to a rival, but a seamless customer-focussed ecommerce experience brings in $6.5M of additional profit.



"The question we asked ourselves was, 'how do we find the quickest path to value? We didn't have 12 months to get things done, we had six months. We needed speed. We needed flexibility. We needed connectivity, but most importantly, we needed to demonstrate the viability of digital. BigCommerce had what we were looking for and it was cost-effective, too."

Luke Naish, Executive General Manager, Tradelink

Better engagement

Retailers using BigCommerce benefit from site architecture that is designed to bring in new customers. The categorisation of products and copywriting tools offer an SEO boost to make the retailer's wares more easily discovered through search. Crucially, this improved categorisation and descriptions service gives a boost on third-party marketplaces and social selling, on services such as Google Shop.

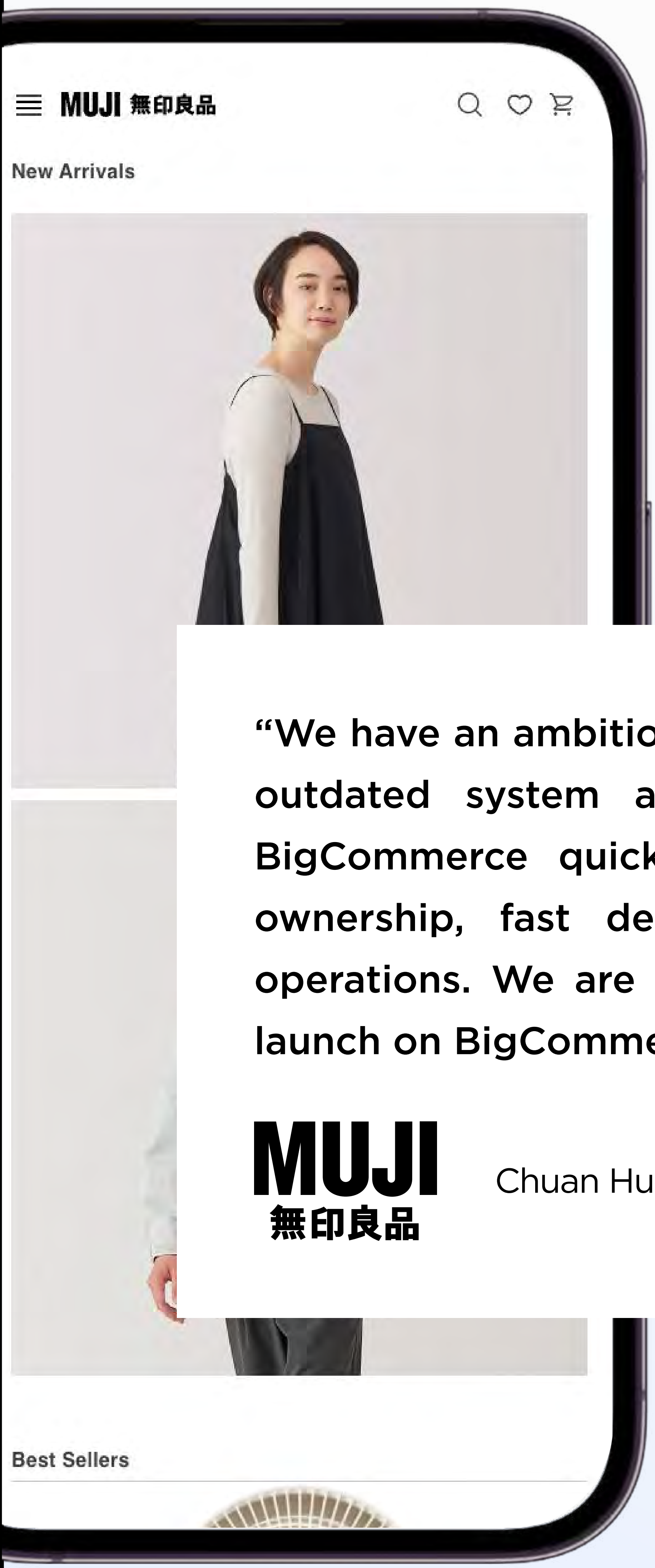
By knowing how the algorithms work, BigCommerce sets up its merchants to succeed, delivering a 30% reduction on CPC (cost per click) rates needed to bring in new business. This has to be set against an

Improved conversions

When an ecommerce platform helps merchants deliver a customer-focussed experience that delights, engagement improves and the average order value (AOV) of baskets increases. To turn this into revenue, though, a merchant needs to convert interest into sales by removing obstacles.

BigCommerce's native one-page checkout takes the friction out of purchasing, meaning conversion rates at checkout can hit a staggering 61.9%. This can be achieved, the company's figures show, for roughly £25k to £40k worth of developer cost, compared to anywhere between £130k to £600k when struggling with inflexible legacy systems.

When considering traffic across the entire site, and not just at the checkout page, the BigCommerce platform is delivering an average improvement of 30% in conversion rates.



"We have an ambitious growth plan in Europe, and we needed a platform to replace our outdated system and provide immediate access to industry-leading technology. BigCommerce quickly emerged as our best option because of its total cost of ownership, fast deployment, platform agility and flexibility to future-proof our operations. We are already seeing improvements in traffic and conversions since our launch on BigCommerce."

MUJI 無印良品

Chuan Huang, Head of Ecommerce, **MUJI Europe**

Conclusion.

Any merchant that is struggling with its legacy software will intuitively know that something is wrong. There are many realisations that will lead them to consider a new cloud-native, SaaS composable platform that allows them to build a service that delights customers with the best-in-class tools, rather than the restrictive 'take it or leave it' approach of legacy providers.

Five common experiences that prompt merchants to seek out BigCommerce include:

- Struggling with legacy software that is expensive and time-consuming to maintain
- Lost sales due to ineffective merchandising and difficulty acting on customer data
- Platform restrictions leave merchants unable to add the best tools in market for each requirement
- CAC is high because the platform is not set up to deliver lower CPC rates
- AOV and conversions are low because the site is slow, merchandising is poor, and checkout is complicated

These all add up to the total cost of ownership being significantly higher than a merchant originally envisioned because there are hidden costs and, just as importantly, there are wasted opportunities to drive growth.

Retailers who want to rid themselves of restrictive software and embrace a flexible platform that allows them to focus on delighting customers, rather than endlessly patching and fixing bugs, should explore BigCommerce. Its cloud-native SaaS and composable approach empowers merchants to build experiences that bring customers in at a lower cost who convert larger baskets at far higher rates than before.

"Opting for a SaaS model with BigCommerce has allowed us to move the budget from column A into column B. What used to be spent on patches, technical fixes, hosting SSL renewals, PCI compliance, all of that sort of stuff, has now been freed up as budget to go straight into advertising or marketing and growth. That's been a really nice change, we're not having to look backwards at mandatory maintenance work, we're purely working on growth and growing the business now."

GRENSON
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Ashley Hubbard, Ecommerce Manager, Grenson

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