The Price of Ignorance

The Bottom Line

How much should you pay for a premium Web site? If only there were a simple answer

When Tom Miller wanted a Web site for his $1-million health-care consultancy, in Clifton, N.J., he turned to the advertising agency he'd worked with for two years. "We were looking to get a discount price," he recalls. It took the agency, which Miller refuses to name, more than six months to launch a site, at a cost of more than $3,000. Since then, he's scrapped the site, which he disparaged for having poor graphic design (he wanted more color, less copy) and for not illustrating the company's purpose accurately. In the end he hired another Web shop to create a new site for $15,000.

At first glance, Miller's lesson seems like a blend of two clichés: "buyer, beware" and "penny-wise, pound-foolish." But in the world of Web-site design, only the first is always true.

Take the case of John Ahrens. He also spent $3,000 on a site, but he came away pleased. His company, Zetet, a personal-digital-assistant-software developer in Plano, Tex., needed a no-frills Web presence on a start-up budget. So Ahrens searched for a freelance site designer. He posted a job request on eLance.com, a Web site on which contract workers bid for jobs. He indicated he'd pay $3,000 for a "simple 10- to 15-page site, no E-commerce, no database." An independent designer, Jordan Dossett, won the bid and in three weeks produced a site that the Zetet founder calls "crisp and professional."

What does it mean if for $3,000 one customer feels ripped off and another rewarded? It means that when it comes to designing and building Web sites, rates are not the only way to judge vendor quality. In fact, they may be the worst way to gauge it.

Getting What You Pay For

Web-shop owners agree that site pricing generally falls into three broad categories. For the sake of clarity, let's call them "basic," "intermediate," and "complex." (See "Charting a Course of Web-Site Costs," below.)

Do you want your site to perform online transactions? And do you want your site to electronically interact with your software systems? If the answer to both questions is no, you most likely need a basic site and should spend anywhere from $500 to $30,000 for the site's initial design (what it looks like) and development (how it works). But if the answer to either is yes, then the price ranges from $2,000 to $3 million, depending on how technologically elaborate and tailor-made you want the site to be. If at most you want your site to perform straightforward online transactions, you're in the intermediate category and should not pay more than $100,000. But if you want your site to electronically pump those transactions into a custom-built, one-of-a-kind accounting system, you're in the complex category, and the sky's the limit on what you might pay.

Ahrens knew that he'd need a basic site: no more than 15 Web pages and little high-tech work. That alone saved him a bundle. Intermediate and complex sites cost more because, among other reasons, they require the labor of software engineers and computer programmers. Because Ahrens didn't want to re-create Amazon.com, that labor wasn't necessary for Zetet.com.

Ahrens also trimmed expenses by turning to an independent designer like Dossett rather than a professional Web shop. Whereas large Web shops have to set their rates to cover corporate overhead costs, independent Web pros and small shops -- strapped with far less overhead -- can afford to charge lower rates. By the same token, small shops and independents sometimes have more meager track records. They also might struggle to help you after they've built the Web site, whereas larger Web shops should have support staffs available if the site falters or simply needs to be updated. Since Ahrens screened Dossett's portfolio and built a site that didn't need much
ongoing support, those concerns didn't trouble him. But anyone building a new Web presence on a budget needs to keep such issues in mind.

Building an intermediate or complex site engenders different cost concerns. The pricier sites, besides having sophisticated e-commerce features, often have detailed databases that mesh with a company's back-end systems (including inventory, fulfillment, and accounting). As a result, building the sites requires lots of costly technical labor. The precise cost of that labor -- both what the Web shop pays its employees and what it in turn charges its customers -- varies widely not just from Web shop to Web shop but sometimes from client to client.

Most Web developers -- be they small, large, or independent -- charge a flat fee (as opposed to an hourly rate) for designing and developing a Web site. However, to calculate the flat fee, the shops first determine how much a site will cost them to produce in hourly labor. Then they charge their customers a multiple of that amount. Most shop owners that Inc. Technology spoke with charge about double their labor costs. One way to avoid getting ripped off is to learn precisely which labor costs are involved in the construction of your site. Has the shop employed database programmers in your service? Java programmers? HTML writers? CGI scripters? The labor costs associated with each of those technical functions depends on the skill of the techies and the pay scale of the shop. And because, say, Java programmers are more expensive than HTML writers, the cost of your site will be determined by how much of each type of technical expertise your site needs and how long it takes the shop's techies to finish a job.

While a few shops are loath to reveal their labor costs, most of them will gladly show you what's known as a "rate card," a listing of hourly rates that the shop charges its customers for particular tasks. (According to Advertising Age, those rates vary with stunning amplitute. For instance, copywriting typically ranges from $85 to $235 an hour; database programming costs $115 to $250 an hour; graphic design starts at about $105 an hour and can skyrocket to $280 an hour.) Shops have the rate cards just in case customers -- after agreeing to a quoted flat fee -- suddenly want to add new bells and whistles to their sites. All of that means that if you take your Web-project specifications to multiple vendors for a price comparison, there is a lot more to compare than just their quoted flat fees. Get rate sheets and itemized labor costs from each vendor. See whether one shop has you down for more hours of, say, HTML writing than another. Check whether those additional hours are costing you more per hour. Determine whether the project will take longer as a result. And establish early on how flexible the shop will be when it comes to modifying the site blueprint for which it gave you a flat estimate.

Money Madness
Among the many factors that influence Web-design rates are region, shop overhead (like rent and employees), and level of service provided. (Some shops offer phone tech support; others offer additional services, such as marketing, public relations, and logo design, to complement Web pages.) There's also a bevy of less tangible factors. Some Web-design outfits lower their prices out of desperation for customers or to add an impressive client to a portfolio. Others raise prices when they think a client might

How to Find an Ace Web Designer
Web-site pricing may be a knotty issue, but choosing a quality designer shouldn't be. Most designers display portfolios of their work on their own Web sites. But how can you inspect a portfolio for quality if you know nothing about the art or science of producing Web sites? Here's how several experienced Web designers answered that question:

Compare the designer's work with highly polished sites. "Go to Apple.com, IBM.com, CNET.com, or EddieBauer.com," suggests industry veteran Tim Donahue, who sees the best and worst of Web work each day as CEO of WebProsNow.com, a job board for Web shops. "Ask yourself, 'Does the shop's portfolio look as professional or navigate as easily?'"

Determine whether the shop can create a unique look for you. Inspect the layouts in the designer's portfolio. Do they look similar, or has the shop shown variety?

Contact the businesses whose Web sites are part of the shop's portfolio. Ask them how satisfied they are with their sites. Ask them whether the shop provided high-quality, consistent support once it finished building the site.

Assess whether the sites in the portfolio have been updated. Dead links and slowly loading images are a bad sign. They show that either the shop or the client has neglected the site. They also show that the shop hasn't thought twice about including a defective site in its portfolio.

Scrutinize the shop's client list. Check to see whether the shop has worked for a business or two you've actually heard of. Also examine whether any of the clients' sites have features you'd want (or detest) on yours.
willingly pay a higher fee. Matt Francis, CEO of InterScape, a $750,000 shop in Marietta, Ga., admits that he might quote the same basic project at two different amounts for two different customers. A customer who is likely to stick to a project's initial blueprint usually gets a cheaper quote than a customer who seems likely to request alterations at every stage of the project. Francis gauges a customer's likeliness to amend the project mostly by instinct, based on the customer's seeming skittishness. Depending on how many changes Francis anticipates the customer will make, he can modify his flat fee by hundreds or thousands of dollars.

Francis, Dossett, and several other Web pros all say they have encountered small-business owners who are shocked to learn that professional Web-site building usually costs more than $1,000. They attribute the sticker shock to two factors: first, there is a proliferation of Web-design freelancers and moonlighters who offer their services at bargain prices on job exchanges like eLance.com; second, some huge companies have run ad campaigns claiming they can build a legit Web presence for a low starting cost. Both Dell and IBM, for example, have run offers to build functional small-business sites for less than $500.

Not enough attention is paid to what you actually get for those offers, the Web pros claim. At Dell, it was one year of hosting, a domain name, and three Web pages. At IBM, it was the same thing but with only six months of hosting. In short, both offers were an affordable way to publish a pamphlet in cyberspace. But neither included the technology needed for conducting online credit-card transactions or for building a database of site visitors.

Tim Donahue, CEO of WebProsNow.com, an online project exchange for Web shops, cautions that costly as it can be to build a site, you must avoid the mind-set that once you launch it, you're done. Keeping a site current -- making sure the links are live and the content is fresh -- isn't cheap. Sometimes it requires one dedicated employee, the proverbial Webmaster. Other times it might even require replacing the shop that built your site with another that better suits your needs.

Laura O'Keefe, co-owner of start-up manufacturer California Solutions, in Los Angeles, learned that lesson firsthand. She paid WebMetro, a $5-million Internet consultancy in Pasadena, Calif., more than $5,000 to produce a site for her company at www.Petaromatics.com. Not long ago, WebMetro proudly listed the site in its online portfolio. But O'Keefe is no longer one of WebMetro's clients. She regrets the expenditure, since her company, she says, has already outgrown the site. When WebMetro developed the site, in November 1999, California Solutions sold only one product. Today it sells 38. But because she forced WebMetro to work within certain technical and budgetary constraints, adding products and features to the site hasn't been simple. She admits that she made rigid demands on WebMetro and that she could have better communicated her goals. Still, she's turning to another, less expensive Web shop to rebuild her site into one that can easily grow as her company expands. Her story epitomizes a moral of Web-site building that more small-business owners learn every day: Getting it right the first time is important. But it's only the beginning.
Charting a Course of Web-Site Costs

Boiling down the cost of building a Web site is like boiling down the cost of commissioning a portrait: prices vary widely, depending on who's doing the painting and who's doing the paying. Still, here's our best effort to sum things up:

<table>
<thead>
<tr>
<th>Site type</th>
<th>Cost</th>
<th>What you get</th>
<th>Make sure to ask ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$500 to $30,000</td>
<td>5 to 20 pages and a contact form</td>
<td>Will this look original?</td>
</tr>
<tr>
<td>Intermediate</td>
<td>$2,000 to $100,000</td>
<td>E-commerce</td>
<td>Will this support a rash of orders?</td>
</tr>
<tr>
<td>Complex</td>
<td>$20,000 to $3,000,000</td>
<td>Interacts with your software systems</td>
<td>Will this investment ever pay off?</td>
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</tbody>
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