

## Web work: Find out for yourself what a lot of companies are learning the hard way

Your company's branch office needs roof repair. So, naturally, you place an ad in the employment section for a roofer -- carpentry experience is desired, as well, since there may be other projects that need to be addressed. And, since there is so much work to be done, you'll recruit a couple of people already on staff to help out with the effort: someone from Marketing, as well as an accountant.

Ridiculous? Of course. And yet this same scenario is becoming more and more prevalent with regard to corporate Web sites. Companies in increasing numbers are experimenting with the in-house Web team, hoping primarily to minimize expenses. The same companies who would never dream of hiring additional employees to manage print or broadcast advertising, building repair, or telephone installation are getting into the Web development business. Unfortunately, discovering the drawbacks of the in-house Web team often a comes at great expense.

Consider three of the main reasons why companies choose to bring Web operations (development, hosting and management) in-house:

1. **Costs**
2. **Control**
3. **Convenience**

see *Web work*, page 3

# Extranet may help you "net a little extra"

Few things in business are quite as sexy as the prospect of reaching millions of potential customers with your products or services via the Web. The only problem -- you've decided since the recession began -- is that it's about as risky as playing the lottery. You might not lose much, but you still lose.

Sadly enough, this has been true for thousands of hopeful companies since 2000. These companies tore through millions of dollars, and when the smoke cleared, all that remained was the red ink. For the lucky ones, this represented a minor loss when compared to their main revenue streams. But many who relied solely on ecommerce went the way of the dodo.

This economic crisis made companies examine their options carefully. The wise ones chose to take advantage of the Web's peerless ability to communicate, in ways that don't necessarily increase revenue, but can definitely decrease expenses.

## Enter the Extranet

Typically, when we think of the Web, we think of what it connects us to: the Internet. But Web browsers can also connect computers to Extranets and Intranets [see definition on next page]. These systems are used to simplify communications between companies and whatever group or groups the company needs to be in frequent contact with, such as dealers, customers, vendors, outside salespeople and

employees. Extranets and Intranets are more valuable if custom-built for company-specific applications, rather than prepackaged.

Here's an example of how a custom Extranet works: DataGlyphics Inc. built an Extranet for a large mobile phone supplier based in Texas. Its purpose is to link all its dealers in Latin America to the corporate headquarters, allowing the company to monitor marketing campaigns, and allowing dealers to purchase affinity products from their co-op accounts. The Extranet is multilingual, with the built-in capability for the company to add additional languages or dialects easily. User-specific access levels offer a secure environment for confidential dealer information. The site accelerates processes previously mired in paperwork and slowed down by mail. It has, as a result, decreased communications costs that had significantly affected the bottom line before the Extranet was launched.

Intranets function much the same way, except they typically reside on a local network, rather than on the Internet.

Implementing an effective Extranet could shave several percentage points off your company's communication expenses. While that's not the kind of thing that gets you into *Business Week*, it could make you a hero with the people most interested in the company's bottom line. And since an Extranet can be designed to make everyone's job easier, your employees will thank you, too. ■

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**And they picked us.**



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# DECODING JARGON

In the 80s, it was owning a BMW and carrying a Platinum AmEx card. Now, for some people, using technical jargon in everyday conversation has become a way of rising above peers. Remember the TV commercial where the sharply dressed professional woman asks the bewildered, older businessman, "So ... um, does *your* company have an ERP solution?" You don't hear that sort of conversation much anymore, since most people who talk like that got canned during the first few rounds of layoffs in late 2000. **Tip:** If someone uses an unfamiliar tech term, ask what it means and – more importantly – ask them to *explain its implications for your business*. The ability to apply knowledge pertinently is what separates valuable business advice from trivia. Listed below are a few terms you might encounter.

## CRM

customer relationship management

This one is one of the big dog acronyms – everybody uses it – but it's also one of the simplest to understand. According to *CRM* magazine, it's "the business strategy, process, culture and technology to enable organizations to optimize revenue and increase shareholder value through better understanding the needs of customers."

In other words, it's "knowing your customers." Yes, there are details, but that's what it boils down to. It's really more of a quality than a system – it's a way of thinking. Technology has enhanced CRM quite a bit, though, making it even easier and more effective. Well-designed CRM Web applications can save your company time and money, and actually make your involvement with customers more personal.

Find the right application developer, though – one that works to understand your company's unique needs.

## B2B

business-to-business

I'm not quite sure how this became such a popular term. Perhaps it emerged as companies with no business plan – and zero business experience – attempted to define who their customers are. Variations of this acronym have emerged: B2C (business-to-consumer), C2C (consumer-to-consumer), P2P (peer-to-peer), and others.

Rule of thumb for those of you who don't know which describes your company: If your client consults a board before buying from you, you're a B2B. If he or she consults a spouse, you're a B2C.

## ROI

return on investment

One of the few acronyms businesspeople care deeply about, just as it should be. In business, it's right up there with P&L, IRS and CYA.

## ERP

enterprise resource planning

ERP has been defined as a "software solution that addresses enterprise needs, taking the process view of an organization to meet the organizational goals tightly integrating all processes of an enterprise."

The gist is this: It's software that makes sure every aspect of your company functions harmoniously.

The logical platform for this kind of solution is the Web (see "Intranets and Extranets"). Compatibility problems between multiple operating systems and versions makes proprietary software a poor choice for most companies. The Web is the most logical – and universal – platform for an ERP solution. The trick is finding the right developer to bring all the elements together to work effectively. Shop carefully. Most Web developers will claim expertise in ERP, but most of them don't have it. Ask to see examples. Don't let your company pay for on-the-job training.

That would be a CWM ("complete waste of money").

## Intranets/Extranets

These terms are not as buzzworthy as you might think, unless you read their techie definitions. An Intranet is defined as "a network connecting an affiliated set of clients using standard Internet protocols." An Extranet: "a business-to-business Intranet that allows limited, controlled, secure access between a company's Intranet and designated, authenticated users from remote locations."

Here are the simple definitions. First of all, both are Web-based, which means they are accessed using any up-to-date Web browser, such as Internet Explorer or Netscape. An Intranet is local, hosted on a LAN (local area network) and often not accessible from the Internet. An Extranet, on the other hand, is for users not connected directly to the LAN. It is accessed from the public Internet with authentication (username/password) set by the Extranet's administrator.

The business applications for both Intranets and Extranets are almost limitless. Internal communications can be streamlined and standardized. Communication between companies and dealers, vendors, investors, field employees, et al., is facilitated securely and instantly. Reduced expenses made possible by a properly designed Intranet and Extranet can pay for development costs many times over.

## CPM

cost per thousand

Typically, this means cost per thousand views – referring to banner impressions. Unfortunately, many businesses have discovered that random banner advertising would be more cost-effective expressed in CPG, or "cost per gazillion," since the click-through rates on most banners are pretty small. (Consider how often you've actually clicked on a random banner.)

On the other hand, when banners are more targeted (see "Data Mining"), the odds that a click-through on a targeted banner will happen increase dramatically. Still, your entire Web marketing strategy should never hinge on banner ads, targeted or otherwise.

## Data Mining

aka "datamining"

Analyzing data, such as buying habits, from different angles and drawing conclusions that can be translated into practical applications. It's rather like profiling, except that it probably won't get you sued.

If built correctly, Web sites can take advantage of data mining in a number of ways. Datamining really boils down to a lot of data sorted by conjecture, assumption and a little B.S., but it works better than shooting in the dark. Supermarkets are sold on datamining. That's why beer, charcoal and peanuts are so close together. It makes sense that diet pills aren't near the ice cream, except perhaps during the first couple of weeks of January (until the resolutions have worn off).

The problem? Managing your own Web sites ultimately (and not only in the long-term) costs more, offers less stability and becomes rather inconvenient. The reasons why some companies bring Web-related projects in-house are often the very reasons why they later choose to outsource.

The start-up costs alone can be staggering: Hosting requires a secure, clean environment with redundant power, cooling and fire prevention systems. Servers, routers and firewalls represent no small expense, nor do monthly connectivity and bandwidth costs, which can easily amount to thousands, of dollars. And this is in addition to the team of technicians needed properly to perform active monitoring, maintenance and troubleshooting of the equipment.

**Do-it-yourself can cost more**

During periods of downturn or recession, such as the one afflicting us at present,

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a top priority for almost every company's management is cost reduction.

Many companies choose to tap existing employees to perform tasks for which they were not originally hired, notably – and expensively – in the area of Web site development and management. The unnecessary costs to the company that tries it could be staggering.

In order to plan, develop, host and manage an adequate Web site for your company in-house, your expenses – especially 2-3 years out – will far exceed the costs of outsourcing, and that doesn't begin to include hardware, software,

bandwidth and upgrades.

Perhaps most importantly, if existing employees are used, then the work they perform in their present positions will suffer – not because of their lack of ability, but because development and professional management of a Web site is a full-time job.

Also, no less critical to a company's Web strategy than the public Web site is the company's internal communications. An Intranet and an Extranet are two elements of internal communications that often reduce expenses dramatically [see main story on page 1].

In short, each member of your staff already has an important job to do. If you're considering the option of bringing your Web site in-house, make sure you consider all the expenses.

Use the chart below and dollarize the two options. Once pros and cons have been weighed, chances are good that outsourcing – provided you outsource to the right firm – will prove to be the most cost-effective course for your company. ■

**IN-HOUSE or OUTSOURCE? See for yourself which makes sense**

Use the columns below to calculate the hard-dollar difference between the two options.

In-House	Annual salaries plus benefits, multiplied by three	Outsourced	
Database Administrator	\$ _____	Development Costs	\$ _____
Web Programmer	\$ _____	Monthly Hosting x36	\$ _____
Network Administrator	\$ _____	Monthly Management x36	\$ _____
Graphic Artist	\$ _____	TOTAL \$ _____	
————— But wait, there's more!		<p>Assuming you keep the site for three years, this is about how much outsourcing will cost over that period of time. Hire the right firm, and major redesigns and revisions to your site will cost much less than building a new site from scratch. The right firm also will monitor your site 24/7, ensure maximum data security and integrity, and perform backups on a frequent basis. And professionals aren't learning on the job.</p> <p>Find a turn-key Web firm with a <i>proven track record</i>, discuss your company's needs, get a proposal, then plug in the numbers on this side. Compare it to the left column.</p> <p>Are you still sure you want to do it in-house?</p>	
Servers and maintenance	\$ _____		
Monthly Bandwidth x36	\$ _____		
Routers & Switches	\$ _____		
Software & upgrades	\$ _____		
TOTAL \$ _____			

Don't forget to account for raises, cost of hiring replacement employees, equipment breakdown, software and hardware upgrades, and so on.

And your I.T. staffers really do have better things to do, especially if they're involved with keeping your internal network running, maintaining local computers, and so forth.