

7 Key Ecommerce Infrastructure Decisions

Every business requires an infrastructure to support its customers and operations. This includes facilities, equipment, and processes for all functional areas. Choosing the correct infrastructure to match your business strategies enables your operations to run efficiently. Conversely, if an element of your infrastructure is out of sync with your strategies, you will likely feel the pain in every aspect of your business.

Here's an example. If your value proposition is to provide the highest level of customer service for premium products, your infrastructure should include processes to deliver quick and responsive service, including live chat, self-service tools, and quick turnaround on questions and orders. I addressed strategies for value propositions earlier, in ["What's the Value Proposition of Your Ecommerce Company?"](#).

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If your value proposition is to provide the lowest prices every day, your infrastructure should reflect that goal. You can accomplish this in various ways. But the cost of goods sold and overhead expenses — which include infrastructure items — should be as low as possible.

Typically, ecommerce businesses try to maintain a high degree of flexibility in their infrastructure to keep fixed costs low, to react quickly to market changes or competitive pressures. A key infrastructure decision is whether to outsource or manage operations in-house.

Most ecommerce businesses are small, with fewer than 25 employees. If you look at all the functional areas of the business that must be managed on a daily basis, it will be hard to find and afford an in-house staff with all the skills required to be successful. When deciding on your business infrastructure and operations, be sure to evaluate what your core strengths are. Know what you do well and know what you do not do well. They are equally important. Look to outsource part-time activities or ones that require high levels of skill or specialization.

Here are seven important infrastructure decisions that ecommerce businesses face.

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1. Marketing. Of all the infrastructure elements, marketing may be the most important. To succeed, your website must be found. Once visitors are on your site, you need to keep them there and compel them to buy from you. That's the job of your marketing team. Whether it's website design, social media, search marketing, merchandising, email, or other forms of advertising, it's all about marketing.

Managing marketing activities in-house is very challenging. Most small ecommerce businesses outsource at least part of it.

2. Facilities. A key competitive advantage that ecommerce businesses have over brick-and-mortar stores (**Brick-and-mortar** refers to a traditional street-side business that offers products and services to its customers face-to-face in an office or **store** that the business owns or rents.) does not have to invest in physical facilities. In many cases, you can run your business out of a home office, basement, or garage. If you drop ship or outsource fulfillment, you may be able to do that for a long period of time. Even with many employees, you can set up your offices in class B or C space, as you have no need for a fancy store in a high-traffic location.

A word of advice is to keep your options flexible. Try to find an office park with a variety of spaces of different sizes. You may be able to start in a smaller space and move up to a larger one (without penalty), as your needs change.

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3. Customer service. There are many choices today for delivering high-quality customer service. You can manage those activities in-house or outsource to a third party. Basic customer service for sales and post-sales activities can be handled using email and, for more extensive needs, phone support. A customer-management system will make those activities easier, but for smaller companies, it is not a requirement.

Live chat will impact your operations — someone needs to be available during specified hours of operation. Be sure to gauge the impact of that on your organization, if you decide to handle those activities in-house.

4. Information technology. Choosing an ecommerce platform is one of the most important decisions you will make in your business. Do you want to build and host your own system, outsource the development and then manage the system going forward, or use a hosted, software-as-a-service platform that is turn-key and externally managed?

If you build and host your own system, you may need more cash up front and skilled administrators and developers on your staff. By using a SaaS platform, you will not need to host or manage the system in-house, but you may still need web developers on staff. Choosing to outsource the development and hosting will reduce your staffing costs, but you will incur higher costs for any future enhancements or changes to your websites.

There are pros and cons to any approach. Think through the impacts on your staffing, cash flow, and bottom line before you move forward.

5. Fulfillment. Another key decision is whether you will manage your own inventory or outsource those activities to a fulfillment house or through drop shipping arrangements with your suppliers.

Managing your own inventory will provide a high level of control, but you will tie up cash in warehouse space and fulfillment staff. In some industries — such as the jeweler supply industry — managing your own inventory was the most logical choice. We had no alternative for drop shipping, and most items were purchased in bulk and were very small. We did not trust preparation and fulfillment to an outside service.

Select the best fulfillment option to meet your needs. Be sure to understand the costs involved and analyze the other options before moving forward.

6. Finance and administration. You can manage your finance and administration activities in-house, outsource them, or use a hybrid of the two. If your ecommerce platform is tightly integrated into your accounting system, you may have very little need for an in-house bookkeeper. If you use separate systems for your website, order management, and accounting, you need more help for data entry and making sure that the information is properly managed.

Many ecommerce companies use outside services for vendor payments, payroll, and other basic accounting activities. They decide to focus on the sales, marketing, and customer service. This allows them to maintain a focus on growing their businesses, instead of paying an internal accountant — or doing that work yourself as the business owner.

On the administration side, you need a leadership team. Good communication is important, whether you have three or 100 employees. Be authoritative or democratic in your management style — it is up to you. But choose a style and stay consistent. Be sure that everyone understands their roles, as well as the overall business strategies. You may need to adjust your approach as your business evolves.

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7. Human Resources. Many small-business owners avoid the human resources function. Recruiting, setting up compensation, maintaining compliance, and other HR activities are specialized and time-consuming. You may choose to bring the resources in-house. But, should you outsource, there are many individuals and agencies well equipped to do the job.