



The Hosted Services Model for Winery Websites

The Case for the Subscription Model

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The Case for the Subscription Model

In many industries, when a small to medium-sized business wants to create their first website, or revise their existing website to provide additional functionality, there have historically been two choices: buy a ready-made solution or build it from scratch. Now, in more and more industries, and certainly in the wine industry, there exists a third model: the “subscribe” model. Let’s examine the website models available and identify when the subscribe model can make business sense.

The Models: Buy, Build or Subscribe

Traditionally when considering software for your business, the process has been to research software packages in the market and decide if your requirements can be satisfied by an existing package (buy) or if your requirements are unique enough that you must create your own technology solution (build). There is now a third consideration for wineries considering their initial website or a more robust website. Several service providers, our company included, provide wine industry specific website solutions on a subscription model.

This “rent” or “subscribe” model can be called a “hosted solution” or an “application service provider” model, but the concept is the same, and it can provide advantages over the buy or build models. Typically there is nothing to install on your computer, ongoing enhancements are included in the subscription, and someone else ensures that the application is running and maintained. A stated disadvantage to this model is that there are recurring fees, although a cost-benefit analysis may show that adding the extra costs of the buy or build model tilts the advantage to the subscribe model.

The Case for the Subscription Model

In evaluating the options for your winery’s website, and extending that to your winery’s entire online presence, consideration should of course be given to the cost and feature set. In addition, the winery should consider other factors, including the dynamics of the wine industry and extra services that can be provided by subscribing to such a service. The following sections outline the major factors that should be considered in your decision process.

Robustness

The term “robustness” refers to more than just the feature set provided. Sure, the service must allow you to create content so online visitors can understand your winery and its products. This content, at a minimum, should include information on your winery, vineyards, winemaking, wines, vintages, accolades (awards and ratings), wine clubs, news and events, contacts and directions to the winery. The robustness of a website also factors in the ease of navigation, user-friendliness, page load speed, useful traffic statistics, e-commerce options, and communication options (both to and from your visitors).

Service providers who offer a website subscription model typically have spent much time and effort in creating a robust offering, specific to the industry. Their ability to leverage this investment across many winery subscribers results in economies of scale compared to a custom-built

website. In addition, a web developer hired to create a custom website for your winery may not have the requisite experience in all elements needed, including graphic design, website design, information technology best practices, data modeling, web development, and industry expertise.

Ability to Customize

Successful websites not only need to be robust, but should also reflect the winery's style and philosophy. This includes your winery's graphic elements and color themes. While a custom-built website can be created to precisely match the design nuances of your staff person in charge of this effort, remember the business goals of your online presence. Typically, those business goals are focused on marketing and selling wine. While a initial two minute movie on the history of the winery may have a "wow" factor from a technology and entertainment perspective, many potential customers may abandon your website before reaching your order form.

That said, you probably don't want a website that looks identical to your neighbor's website. Be sure to review the level of customization allowed in a hosted solution. The ability of a solution to easily separate the presentation layer (fonts, colors, graphics) from the content can provide a custom look & feel for your winery.

Ongoing Maintenance

When your website is installed for all to see, it immediately becomes dated. Fresh content is key to the return of potential customers. Your staff must be able to easily change content on your website. These days, you should not need to call a web developer to add a new vintage or add a new state where you can ship. Most service providers offer a "Content Management System" that allows a non-technical person to make changes to the website. In addition, some service providers allow your staff to modify parameters that control processing, for example changing the mixed case discount percentage or the credit cards that you accept. Remember that a good content management system will be industry-specific and will automate most, if not all, of the web page creation and linking tasks.

Another factor to consider regarding maintenance is the physical and technical maintenance of the website. Items such as interface changes to credit card processing or shipping carrier systems, and shopping cart changes to support new state regulations can be expensive, and are frequently overlooked. Forgetting about items such as data backups, web server software upgrades, and web server monitoring can be costly to your business, as well.

Industry Dynamics

A major factor to consider in looking at the subscription model is the stability of your business and the overall stability of the industry. In the wine industry, we live in challenging and rapidly changing times. More direct shipping states are opening to your wines, each with their own regulations. Not only are states looking at direct-to-consumer sales, but some states are now revisiting their direct-to-trade sales laws. Not since Prohibition have the wine laws been in such flux. Likely your business wants to participate in selling wine to an expanding online population.

This factor is huge in considering a subscription-based model. Service providers revise and enhance their product for industry changes, and many of these revisions are included in their service at no additional cost.

Cost

The recurring cost of a subscription model is usually cited as a disadvantage, especially by web developers, whose livelihood depends on creating custom websites. A closer look however, can negate any disadvantage, and in many instances, can prove that the subscription model actually has a lower total cost of ownership (TCO). To start a cost analysis, the initial cost of a custom-built or purchased solution should be amortized over no more than three years, given the

dynamics of the technology and the industry. Then look at the additional costs involved in maintaining the website, including:

- Website hosting
- Software maintenance fees
- Email communication fees
- Technical services required to revise your content and operating parameters
- Technical services required to maintain the physical web server and the software applications
- Your staff's time in keeping current on the regulatory changes so as to advise the service provider of required changes to the website
- Your staff's time in dealing with the service provider to report problems, request enhancements, negotiate services and pricing
- Maintaining backups of your data
- Your staff's time in processing online orders, extracting transaction data for compliance reporting and back-office processes.

Not only could the costs likely be less expensive with a subscription model, due to the proactive nature of the service provider, your staff is likely to spend less time with website issues and enhancements.

Extras

Some service providers offer additional services as part of the subscription package. These could include marketing services, design services, and services aimed at driving more online traffic, and potential customers, to your website. Combining many winery websites into a common service also has the benefit of visitors "discovering" your wines by visiting the overall portal website, instead of relying on the visitors to know of your winery. These extra services may provide added business benefit and online sales.

The ROI Factor

Your investment in an online presence should be treated similarly to any other business investment. As part of your cost-benefit analysis, there should be a way to calculate a return on investment (ROI). The buy and build models have a large initial cost and variable ongoing costs, making an ROI calculation difficult. The subscription model can make the ROI calculation easier, but a service provider's pricing model can further ease the matching of costs to benefits.

You should analyze the service provider's pricing structure. Some service providers have component-based pricing, which allows you to subscribe to only the components needed. In addition, some pricing may be based on a cost-per-transaction or a percentage-of-sales model, which can simplify calculating ROI.

Conclusion

This article has attempted to educate you on the subscription-based model to websites, and in particular as it applies to the wine industry. The subscription or hosted website model should be included in any analysis of options for creating or enhancing a winery's website, as this model offers several advantages, including cost, over the buy or build models.

About the Author

Ron Kreutzer has over 20 years information technology (IT) experience, over 15 years IT project management experience, over 10 years Internet technology experience. Ron is President of WineWeb Enterprises, Inc. a company he founded in 1995 to provide an electronic marketplace for wine and Internet services to wineries and wine retailers. He has worked over eight years with a global information technology services provider, and previously was a Senior Manager with Deloitte & Touche Management Consulting (Deloitte Consulting) having spent over eight years on a variety of IT projects across many industries and technologies. Ron is a PMI-certified Project Management Professional (PMP) and a Certified Public Accountant (CPA-inactive).

About WineWeb Enterprises, Inc.

WineWeb Enterprises, Inc., founded in 1995, provides an electronic marketplace for wine consumers. It also provides e-commerce, website hosting and website promotion services to wineries and wine retailers. Its trademarked service, The WineWeb, maintains a directory of over 32,000 wineries from around the world, provides value-added services to assist wineries and wine merchants in selling wine online, and provides a consumer-friendly method of integrating thousands of wines into a searchable environment.

For more information, please visit www.wineweb.com