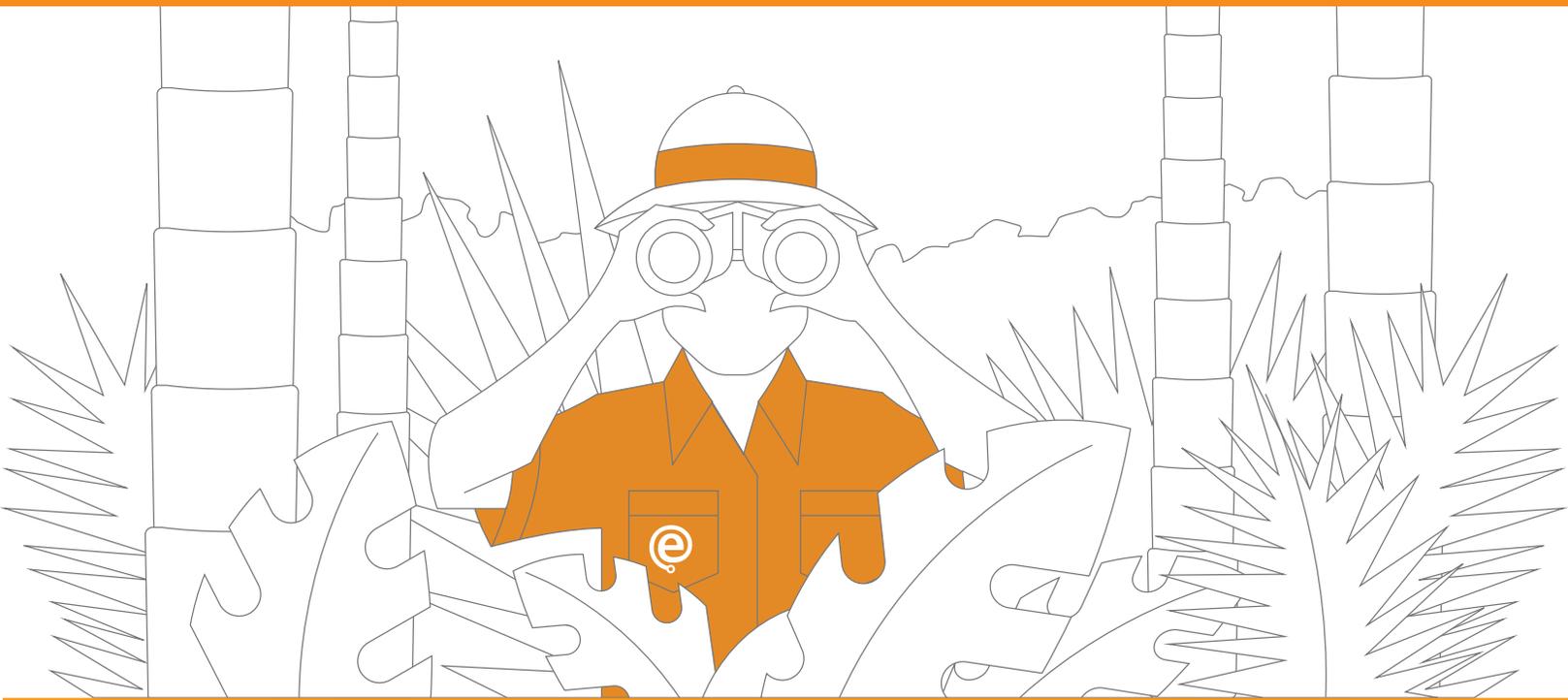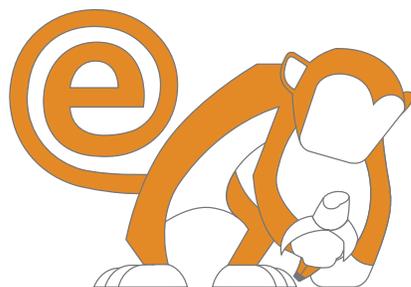# Survival for Online Sellers

How a Virtual ERP can guide your business beyond natural selection to thrive in the harsh conditions of online retail

A White Paper by

webgility®

While online selling is one of most promising new industries of this century, it has a Darwinian dark side that most unsuspecting entrepreneurs don't recognize until it's too late. It seems that as technology has brought more convenience to e-commerce, with it has come toxic financial perplexity, mind-numbing busywork, and paralyzing logistical chaos—and let's not forget swarms of hungry competition. In an effort to safely guide e-commerce companies past the dangers that await them in the vast and inhospitable territory of online retail, we've gone straight to the top of the food chain.

81% of shoppers research online before making big purchases.[1]

For the first time ever, industry leaders in storefront technology, accounting, inventory, shipping, and integration are joining forces to simplify operations and streamline data for e-commerce sellers. The result? The Virtual ERP for e-Commerce—a unified network of best-of-breed systems that gives independent sellers the same business intelligence, operational stamina, and competitive edge enjoyed by the massive alpha retailers. In the pages that follow, we outline the common pitfalls of online selling and how the Virtual ERP for e-Commerce offers both security and freedom from which to build a business that is profitable, sustainable, and scalable.

Danger: Data overload

There are tons of apps in the marketplace that solve a variety of technology problems, but using too many of them also has a downside. Often sellers spend all of their time running between apps constantly checking sales, inventory, and shipping, ending up with no actionable insights about the financial

[1] http://www.chainstoreage.com/article/study-81-research-online-making-big-purchases
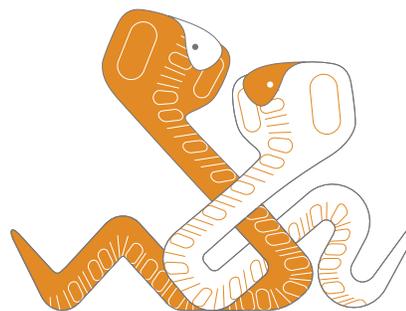
health of their business. "As e-commerce grows and competition becomes more fierce, sellers who don't have control and understanding of their data will simply not survive in this marketplace," offers Parag Mamnani, CEO of Webgility, the leading e-commerce automation software. Tracey Wallace, Editor in Chief of the user-friendly sales platform BigCommerce, explains the issue in fiscal terms, "Today's retail businesses don't have time to waste on channels that aren't producing ROI," she adds. "Nor do they have extra time to invoice their own customers or maintain accounting records." In agreement, Chad Rubin, CEO of the multi-channel inventory management company Skubana, breaks down the systemic problems that result from incompatible apps, "Many sellers have to use multiple software apps just to keep their business running, but when the software doesn't integrate seamlessly, you misplace inventory, lose data, and limit your growth due to the limitations of the software." Unless you have full visibility of your company's data and gain actionable insights from it, you're leaving money on the table—it's as simple as that.

"The Virtual ERP enables sellers to diversify their businesses across multiple channels without having to hire a massive team."
—Chad Rubin, CEO, Skubana

Safe haven: Integration

On average, 82% of small businesses use as many as six SaaS apps to run operations.[2] That's a great indication of how the industry is using technology to solve it's pain points, but software that doesn't play nicely together leaves a wake of destruction—integration is the key. "We've built our business on

[2] http://investors.intuit.com/press-releases/press-release-details/2016/Global-Intuit-Study-Small-Businesses-Using-Apps-in-Record-Numbers/default.aspx

connecting sales channels, inventory, accounting, and shipping, so we solve the data problem for online merchants every day," observes Webgility's Mamnani. In fact, when sellers are considering adding new e-commerce apps to their business model, he often recommends a close scrutinization of both compatibility and integrations before clicking the "buy" button. BigCommerce's Wallace agrees: "The Virutal ERP for e-Commerce integrates robust e-commerce solutions and makes it ridiculously easy to sync and analyze data. Without a system like this to bring it all together, disparate data can slow down the entire business, cause wasted investment in channels not producing ROI, and give your competition an edge."

"Having a single source of truth improves the insights, reporting, and decision making of a business."

—Katie May, CEO, ShippingEasy

Data is crucial to smart scaling, here's how. Let's say you're in a growth stage and you want to expand sales on a specific channel. To make that decision, you should first be able to assess:

- Traffic going to the new sales channel
- Total revenue coming from that channel
- Percentage of traffic that converts to a paying customer and how that percentage compares to conversions on other channels
- Cost of acquiring a new customer from that channel
- Average order volume and value
- Average order value between sales channels
- Type of customer by order value, demographic, etc.
- Number of sales from repeat customers each month

*It's **7** times more expensive to get a new customer than retain an existing one.*[3]

[3] https://www.invespcro.com/blog/great-customer-experience/

The Virtual ERP for e-Commerce combines all of your systems so you can easily access these KPIs. With this data in your arsenal, plotting your next move will be clear and concise. Without it, you're just crossing your fingers and hoping for the best.
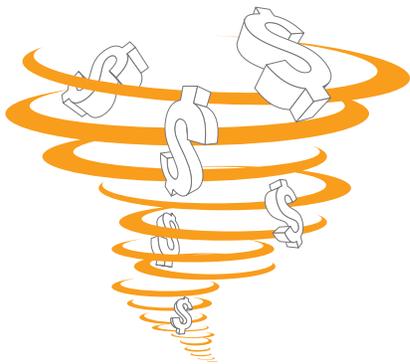
Danger: Accounting chaos

Of course no one enters retail as an accounting expert, nor do they aspire to be. But accounting is the heart and soul of your business, where it syncs with your bank account, tracks your expenses, pays your bills, compensates your employees, manages sales tax, inventory, and most importantly your cash flow. And because e-commerce accounting is known to be fraught with challenges, many CPAs won't even touch it. That leaves online sellers to fend for themselves amid the mountains of electronic invoices, receipts, balance sheets, debits, credits, and returns. David Leary, Small Business Ecosystem Evangelist at Intuit, warns, "Chaos lurks in the management of cash flow for manufacturing or buying goods. So sellers need to pay special attention to where their money is at all times—for example, holding onto inventory too long or running out of inventory before you can get more can throw off the bottom line in a big way." Without a view of the finances for your entire business, you have no control of your margins, which can be adjusted by making smarter decisions about expenses and fees.

Safe haven: Automated accounting

Webgility's Mamnani spells it out: "Accounting doesn't have to be a bad word, and you don't need to become a CPA to run your business profitably." He recommends, "Get an accounting software like QuickBooks or Xero and keep a pulse on your financial

health." Intuit's Leary adds, "Automate whatever data you can as early as possible, and have breathing room to think ahead. When you choose systems that run seamlessly together, you will reap actionable insights to better manage your expenses while increasing inventory, customers, and orders." The Virtual ERP can help you manage sales tax and sync it to the accounting system. It can also help you prevent future audits (and subsequent panic attacks).

Danger: Eaten up by inventory

"Selling across multiple channels complicates product counts as orders stream in from multiple marketplaces and platforms," says Katie May, CEO of ShippingEasy, the online shipping software that provides discounted shipping rates and streamlined operations. Indeed, as BigCommerce's Wallace details, "If someone buys something online and that inventory count isn't immediately removed from an in-store purchaser's product options, you could oversell.
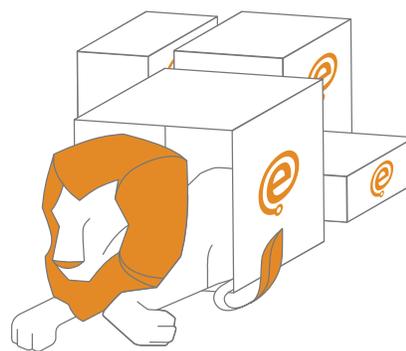
Overselling means additional shipping time; additional shipping time means you no longer compete with Amazon—or anyone else." But that's just one sale, imagine keeping track of thousands of products in multiple warehouses, warns Danny Shaw, Director of Business Development for the web-based inventory and warehouse management system SkuVault: "Small operational expenses become huge expenses when placed over thousands of items and locations. That kind of error can set a company back significantly."

"The Virtual ERP streamlines processes and provides real-time data to drive more effective business decisions."
—Danny Shaw, Director of Business Development, SkuVault

And if that's not enough to keep you up at night, the consumer represents another set of vulnerabilities related to inventory. For example, if the customer doesn't receive the

product they ordered or, worse, if they don't receive any product at all, the seller will lose their trust and likely receive bad reviews. Full recovery from bad reviews and lost consumer trust is both difficult and rare.

Safe haven: Inventory management

Webgility's Mamnani points out, "It's not often spoken of in e-commerce, but protecting one's sanity is a big part of ensuring a business is sustainable. Sellers are usually passionate about their products, but inventory management is an area that all too often pushes owners over the edge and causes them to give up." SkuVault's Shaw points out, "Fortunately, there have been significant advancements in inventory management software which retailers can now get for a fraction of price of enterprise systems."

BigCommerce's Wallace suggests an automated, centralized inventory sync to cut down costs from inaccurate data entry, "Today's retailers sell everywhere, so they must have a single inventory hub—ideally a store or their accounting—where product counts are
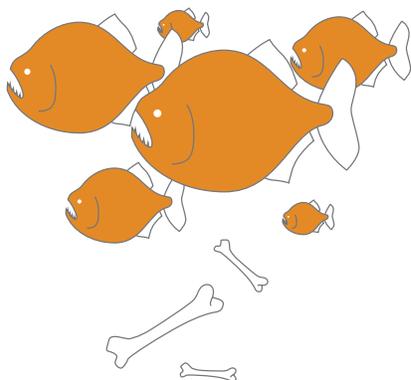
always accurate and real-time information is fed to their various channels." The Virtual ERP for e-Commerce protects both your sanity and profit margins with inventory syncing as well as full-service automation to warehouses and shipping carriers.

Danger: Frenzied fulfillment

Webgility's Mamnani points out that profit margins like to hide out in shipping and fulfillment costs, so even though using an all-inclusive shipping software might seems like overkill, it will actually mean cost efficiencies and streamlined workflows that are well worth it when your sales pick up. And while protecting profitability makes sense, ShippingEasy's May says, "The most meaningful adjustments in fulfillment are based on consumer expectations. Amazon has explicitly proven that an online order can be delivered in two days, for free. This puts tremendous pressure on sellers to efficiently process orders and get them in the hands of the buyer quickly. Shipping solutions are now required for even the smallest merchant in order to efficiently process orders and get them in the mail stream." As Amazon continues to buy up fleets of airplanes, it's no wonder independent sellers feel helpless.

Safe haven: Smooth shipping

It seems that everyone's getting in the fulfillment game—BigCommerce looks forward to an upcoming release of multi-location warehouse fulfillment and FBA syncing to enable larger catalog sellers across additional categories to use BigCommerce as an inventory management platform.
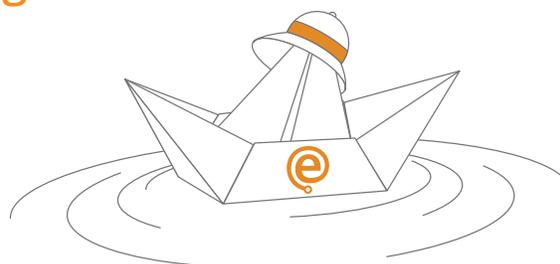
Webgility's Mamnani advises customers to go ahead and plan for success: "Don't be shortsighted, realize that when your business grows, your fulfillment, shipping, and logistics will become exponentially more complex. Robust tools will sustain much higher volume and handle far more use cases like omnichannel sales, dropshipping, multiple locations, and high volume sales." In other words, the Virtual ERP for e-Commerce provides those tools, and they're all built to grow with your business so you'll never be "a victim of your own success."

92% *of U.S. customers would consider delivery within 2 days to be 'fast,' but* only **18%** *would consider delivery within 5-7 days as fast.[4]*

Danger: e-Commerce quicksand

For most e-commerce merchants, there's simply not enough time in the day. They create a business around a product they're passionate about and soon after find themselves in deep cash-flow chaos and gasping for air in the choppy seas of logistics.

"The Virtual ERP helps merchants rapidly alter their business models to keep up with an ever changing environment."
—Tracey Wallace, Editor in Chief, BigCommerce

Sound familiar? BigCommerce's Wallace knows the problem all too well: "While businesses are getting more and more complex, their teams aren't necessarily getting larger. Instead, these merchants are relying on technology to solve for their time-constraint needs and using the tech as an additional hire and leveraging existing employees in new ways." She continues, "New technology means employees must be trained and that technology must work the way the business needs it to. If the tech

[4] http://www.criteo.com/media/3552/criteo-ecommerce-industry-outlook-2016.pdf

creates more problems, it will be ousted—and no business has time to dig out their pipes." That's exactly why Webgility's Mamnani emphasizes white-glove onboarding and top-rated customer service as important criteria of any business app a merchant is considering: "It's imperative that busy merchants are able to quickly contact with a human being when they're having issues with their business systems," he says. "Every moment their technology is not working is means they're losing revenue, and most e-commerce SMBs can't afford even a second of downtime."

> ### Top 3 factors that influence where Americans shop
>
> **Price** **87%**
>
> **Shipping cost + speed** **80%**
>
> **Discounts** **71%**

Safe haven: Tech terra firma

The trusted, seasoned, and dependable partners of the Virtual ERP for e-Commerce understand the business-saving value of helping their customers use their tools successfully. When their customers succeed, they succeed, and that's what drives this initiative. Webgility's Mamnani says, "All businesses, small and large, can benefit from technological advances. And in today's competitive e-commerce environment, automation is not the problem, it's the answer."

"App developers make small businesses successful by creating time-saving applications that connect to QuickBooks Online."
—David Leary, Small Business Ecosystem Evangelist, Intuit

In fact, he points out, the most successful online sellers of today use tech to
- Eliminate manual data entry and avoid costly errors
- Increase the speed of information exchange
- Improve customer service efficiency
- Reduce deployment time
- Free up time and resources to focus on the business

Mamnani continues, "In a world where Amazon is eating everyone's lunch, the Virtual ERP for e-Commerce represents the best chance online retailers have to get their slice of the pie." Automation—of multi-channel sales data, inventory management, shipping operations, and accounting—is the most efficient way to cut labor costs, increase efficiency, and save time to focus on growth. Sellers who embrace these capabilities will build sustainable businesses and bolster the entire e-commerce economy.

"The Virtual ERP allows sellers to improve profit margins, lower operational costs, and manage their business with greater insight."
—Parag Mamnani, CEO, Webgility

The Virtual ERP for e-Commerce is an antidote to the "app fatigue" plaguing merchants today. Webgility's Unify software anchors the Virtual ERP by integrating with best-of-breed online retail solutions like BigCommerce, SkuVault, Skubana, ShippingEasy— bringing efficiency, order, and scale to otherwise chaotic workflows and business operations. In doing so, Unify helps retail companies assemble the essential e-commerce tech stack so they can grow their business. What's more, the Virtual ERP for e-Commerce provides all the business intelligence, financial insight, and operational stamina of a larger, complex, and costlier integrated system. The Virtual ERP for e-Commerce empowers online retailers to survive and thrive in the vast, competitive retail world.

webgility®

575 Market Street, Suite 1900
San Francisco, CA 94105
(877) 753-5373 USA
1 (415) 666-2621 International
sales@webgility.com
www.webgility.com