

VOLO

Adventures in ecommerce

What is eCommerce ERP?

Why Should I Care?
What Should I Do About It?



Introduction

TLDR: If you're a £2m to £25m GMV-a-year ecommerce business, an ERP system will *scale* your growth and profits by connecting your different processes, tasks and online channels into an automated whole.

ERP is often thought of as a 'big thing', something reserved for the biggest companies with the deepest pockets. In fact, everyone running an online business over £2m a year should get to know the concept and benefits of ERP.

This eBook explains what ERP is, where eERP focuses, why you should care, and what to do about it if you do care. It also introduces Volo eCommerce ERP (at the end, after we've set the scene with some helpful content).

Table of Contents

<i>What is an ERP System?</i>	3
<i>Why should I care about eERP?</i>	4
<i>What's the Right ERP for My Size?</i>	5
<i>What factors govern an eERP project?</i>	6
<i>Deployment and business model</i>	6
Approach	7
Time (and time management)	8
Money	9
The players	9
<i>Volo eCommerce ERP</i>	10
<i>Next steps</i>	11

What is an ERP System?

ERP stands for Enterprise Resource Planning. If you look closely, you'll see that it's inside the word 'enterprise'. That's for the big players, isn't it, massive FTSE-100 companies who need SAP® to keep track of the millions and billions? Not so. The chances are if you're reading this then you're an enterprise too, perhaps a small to medium sized enterprise ([SME](#)), with under 250 staff and under £45m a year in revenues.

In essence an ERP system connects your customers, channels, suppliers, products, payments and shipments. More specifically for online sellers, an ecommerce ERP system, or eERP, does the same thing, but is more loaded towards the demands of online retail, and connections to multiple marketplaces and web stores. eERP systems help you reduce manual and duplicate processes by automating all the areas of your business, which might currently be separate:

- Purchasing
- Supply
- Warehousing
- Inventory
- Listing
- Marketplaces
- Web stores
- Orders
- Shipping
- Customer service
- Customer relationship management (CRM) and marketing
- Accounting
- Reporting and analysis

"eERP is the backbone to your business. Just like with the human body, everything hangs off it, and relies on it for good performance."

Paul Dilger, CEO, Volo Commerce

Why should I care about eERP?

You should care about eERP if you want to scale your business. Growth is about increasing your online sales regardless of the cost. Those companies that come into a market and undercut the competition are growing, but not profitably. Scaling is about increasing your online sales while keeping your costs as low as they can be, which positively affects profits.

What this directly speaks to is being more productive; doing more and doing things more quickly with what you have. And increasing productivity is why people invest in systems and software, because then they can automate processes that used to be more manual, or more disconnected.

eERP tackles head on the challenge of complexity in your business. You probably sell multiple products with multiple variations, which you get from multiple suppliers with multiple different terms. You probably store your products in multiple bins, aisles and warehouses. You list your products in multiple places, so you have orders coming in from multiple sources, from multiple customers, that you will need to ship using multiple carriers.

Inventory management systems (IMS) and order management systems (OMS) reduce complexity by allowing you to manage all this activity in one place, so you're not duplicating processes and efforts, saving time on updating stock levels, prices and getting orders out to your customers. eERPs don't just do the IMS and the OMS, they encompass all – or at least most – of the areas we listed on the previous page, streamlining your business into one coherent whole.

It follows then, that the more parts of your business you can connect, streamline and automate, the more you can scale your business. This is the promise of eERP, bringing together the different functions of ecommerce from one end to the other, from supply all the way around to shipping and back to supply in one continuous circle.

What's the Right ERP for My Size?

If you buy into the arguments above, what should your ideal eERP solution – or solutions – look like? Here we offer some generalisations around your size of business:

- If you're doing less than £2m a year, you probably don't need one, yet (although you can be doing plenty of things to automate the flow of data through your business, maybe starting with order management)
- If you're doing £2m to £25m a year, then a single eERP system is probably going to be a good fit for you
- If you're a £25m+ a year business, perhaps with a serious physical store presence, then you're probably going to graduate to a larger ERP system with additional functions like HR and manufacturing/ production, or maybe you'll take a best of breed approach and stitch together a range of best-in-class solutions
- If you're a mid-sized business doing £50m to £500m a year, or a big business doing £500m+ a year, you're probably looking at SAP® (and Microsoft®, Oracle®, IBM®; others are available)

It's all about the fit, so make sure you map out your requirements, prioritise them, and then speak to a shortlist of providers to see who will best meet your needs, for your budget. A good provider will also realise that the most crucial part of the buying process is the requirements analysis, so will probe and question to validate the clearest idea of where you want to go.

That's all very well, but what kinds of costs and timeframes will you need to allow for a typical eERP project?

In short, implementing an ecommerce ERP system will take anything from weeks to years, and cost you from 5 figures to 7 figures. It depends on you, your size, your requirements and your provider.

Let's look at some of the parameters, runners and riders in an eERP project.

What factors govern an eERP project?

Put simply, your requirements are the key factor that determines the best eERP solution for you, and the time and money you'll need to invest. And how you approach change management is the key factor determining the likely success of the project. More on that part later.

For our second set of generalisations, we offer the following considerations. The *larger* your ecommerce business (and/or the larger your total retail business, including traditional retail):

- The more likely you'll consider an 'on premise' solution (although I would argue that all but the largest retailers will be thinking cloud deployment is the way to go, since online is the vector for ecommerce)
- The more methodical your approach to the project will need to be
- The more attention you'll need to pay to change management
- The more likely you'll want customisations to the standard system
- The more time you'll need to allow to ensure a successful adoption
- The more money you'll need to budget

Deployment and business model

With an on-premise solution, you buy a license to use the ERP software, and it and your data run on your IT systems and are managed by your IT team. Managing upgrades to the ERP software, which includes deciding if you are going to upgrade and figuring out if an upgrade will conflict with any area of your own solution, is usually your responsibility. You'll typically pay the annual license fee up front – which could be based on sites, servers, or users – and pay further amounts for maintenance, support and upgrades.

With cloud-based eERP solutions, your data is hosted and the responsibility of your eERP provider (or you could have it hosted by a third-party provider). Your data might be on its own server, or on a dedicated database, or on a shared database with other customers, depending on how much data you have, your requirements, and how your provider works. You'll typically pay monthly, with no up-front license fee, and this might be a SaaS model or a subscription- or utility-based model where you're paying for how much ecommerce business you're putting through the system (although this tends to

be the model favoured by providers who are more focused on the ecommerce space than the eERP space).

Approach

The other cost you need to scope out is the work to get the project up and running. You'll hear different providers use terms like set-up, onboarding, implementation, and so on, and this is usually an agreed amount of professional services to cover tailoring the deployment to your requirements, installing it and enabling your staff to use it. The smaller the project, the more likely you'll be asked to pay this fee in total, up front. The larger the project, the more the tendency to split the fee into tranches over time.

We've already mentioned that the better providers will work closely with you to scope out as much detail as possible in this 'needs analysis' phase. This isn't just altruism on their part; they're also trying to get an understanding of where they can demonstrate that they're uniquely adding value to your project. We've seen some ERP providers send out eye-wateringly detailed questionnaires, but what we've also found is that the more detail you get into in this critical stage, the fewer bumps in the road and course corrections there are during the implementation phase.

If you're happy to reengineer your own business processes around the eERP system you're thinking of investing in, then your customisation and integration costs will be minimal to none. Many ecommerce businesses, however, consider themselves unique and so they may want to pay for degrees of customisation of the software to automate the ways they work.

They may also want to integrate other specialist software to the eERP. This will depend on the other systems they already have in place and want to retain, their philosophical approach (one provider is one provider to deal with versus working with knitted 'best of breed' 'point solution' providers) and the amount of coverage that the eERP provider can offer. The budget for this bespoke work will vary according to how much customisation is needed, which the eERP provider may do itself, or which you may want to contract out to a specialist systems integrator.

If you're participating in a tender process, it can often work well if a provider you trust helps you build the tender document with you. Indeed, they can do much of the workload; just beware that they might also be tempted to tilt the tender document detail to their strengths. That said, the act of preparing a tender document helps you think through and articulate your requirements and is a useful base-covering checklist.

Time (and time management)

It is possible to complete an eERP project in two months, but that's typically for a smaller project, involving a handful of staff, and little to no customisation, with all data in good shape and no needed re-work, optimisation or extensive re-mapping to the eERP system. At the other end of the spectrum, we've seen the largest implementations take several months or even years to complete, and with that kind of timeframe you run the risk of the requirements and key personnel being substantially different or even unrecognisable from when you started the project.

The projects we tend to get involved in are three-to-nine months long, by which time the customisation work is done, the data is in good shape, the implementation is rolled out, the staff are fully up to speed and have adopted the new processes, and the business is fully ramped in a live environment. Here's how the time might break down in that mid-range:

- 1 month to scope out the requirements
- 1 month to identify, select, agree terms and contract with the best fit provider
- 2 to 3 months to complete and test the customisations, get the data ready
- 2 to 3 months to complete the training, roll out the solution (often in phases), go live, monitor performance, iron out any wrinkles and measure the new behaviours and results
- Total elapsed time from 'we need to do this' to 'we've done this': 6 to 8 months

The McKinsey findings that around 70% of change management projects fail – and eERP is most definitely in the change management department – is a well-used data point, but in our experience it's true to say that success depends on a number of factors being in place. Focusing on the right user behaviours that are leading indicators of eERP adoption, using internal role models to champion the new ways of working, reinforcing, rewarding and celebrating the mechanisms of success, involving users in the design and implementation process; these factors take time to incorporate but they're time well spent and feed into both the length and the success likelihood of an eERP project.

Money

What's the range of investment for an eERP project? £5,000 - £10,000 is the smallest project we can imagine, and don't forget that you need to budget for your company size or number of users, the degree of customisation, IT costs, training and enablement, and 'in life' costs like support, maintenance and upgrades. Another often-quoted [report](#) from 2017 found that the *average* cost for an ERP project is around £7,000 per user. So, if you've 10 users, you're looking at a fully loaded £70,000, or between £120,000 and £600,000 for the larger end of the [typical SME](#).

Nobody ever spends money on a system unless they want to see a productivity uplift that allows them to scale their business. It's therefore important to estimate both the investment you'll need to budget for, and what return you expect to get from that investment, so that you can build the business case for the project within your business. We quite like [this guide](#) to calculating the ROI on your eERP project (though you'll have to part with some of your details to get it). Again, the business model will govern how you phase these payments. Obviously, if you take a parallel approach to implementation where you're running the old and new systems at the same time, you increase your costs.

The players

This is not an exhaustive list by any means, and the financial guidelines blur across providers, but these are some of the providers you might see depending on your size and the complexity of your requirements. I've used the bands from the first post in this series:

- If you're doing less than £2m a year, you probably don't need an eERP yet (although you may already have point solutions in place, like a decent order management system)
- If you're doing £2m to £25m a year, then a single eERP system is probably going to be a good fit for you. You might look at us, Volo Commerce (owned by Vela Software, itself part of Constellation Software) or Brightpearl (owned by Sage®), both of which are majorly focused on ecommerce
- If you're a £25m+ a year business, then you're probably going to graduate to a larger ERP system with additional functions like HR and manufacturing/production, or maybe you'll stitch together a range of best-in-

class solutions. You might consider Microsoft® Dynamics 365, Sage™, Netsuite® or Infor

- If you're a mid-sized business doing £50m to £500m a year, or a big business doing £500m+ a year, then SAP® (which also has offerings for the SME), Oracle®, IBM® and Epicor will probably be on your list

Volo eCommerce ERP



Volo eCommerce ERP is built on two decades of experience, enabling online businesses to manage and streamline their operations across marketplaces and web stores.

At its core, Volo eCommerce ERP is a unified platform that integrates the key aspects of eCommerce operations. It brings together supply, inventory management, order processing, multichannel selling, warehouse fulfilment and other functions into a single, cohesive system, effectively reducing the complexity and workload for online retailers.

With ecommerce ERP systems like Volo's, as opposed to purely ecommerce, you can efficiently manage your products, listings and orders across multiple marketplaces and sales channels. For sellers who want to scale their business profitably, the benefits of this are improved product availability and breadth, together with increased productivity and optimised processes.

Moreover, Volo's advanced analytics and reporting capabilities empower businesses to make data-driven decisions, enabling them to identify trends, optimise pricing strategies and improve overall efficiency. The result is increased profitability and a competitive edge in the rapidly evolving world of eCommerce.

Next steps

eCommerce ERP connects all the parts of your business together, providing the backbone to everything you do and automating manual tasks and the flow of data through your organisation.

It can help you scale your business profitability, reduce complexity to accelerate your progress and provide visibility into exactly how your business is performing.

[Further reading:

<https://channelx.world/2024/02/partsdoc-why-ecommerce-erp-has-been-essential-to-business-growth/>

<https://www.silvertouchtech.co.uk/blog/how-much-does-an-erp-implementation-cost/>

<https://www.erpfocus.com/erp-cost-and-budget-guide.html>

[What is an ERP System/ERP Software?](#)

[Why Choose an ecommerce ERP System?](#)

[ERP Software for Small-Medium eCommerce Businesses\]](#)

To discuss eCommerce ERP and its suitability to your business, please [get in touch](#).



Volo Commerce

Volo provides an ecommerce platform, a reporting platform and services for online multichannel sellers.

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