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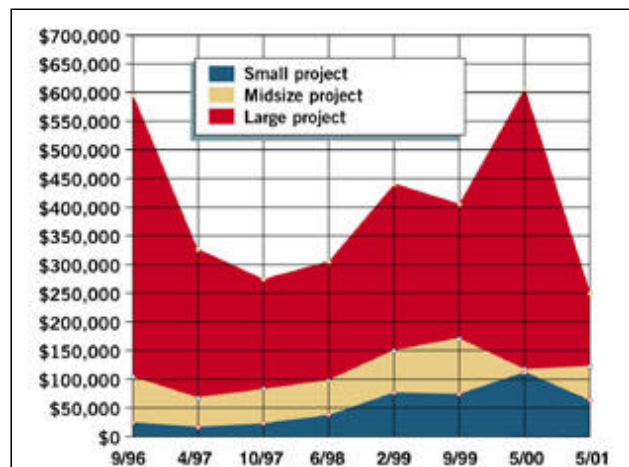
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May 14, 2001

Web Price Index

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Time to build: development costs have dropped, meaning

by [Matt Carmichael](#)

With the markets in flux, and the dot-com economy suffering most of all, Web development costs have sharply declined, according to BtoB's latest Web Price Index. It's a change that is good news for cost-conscious marketers looking to revamp their Web sites.

The Web Price Index estimates costs for Web development projects based on three levels of complexity. (See definitions for small, midsize and large sites on Page 17.) In our first major look at site design costs since May 2000, prices for a "small" site plummeted to a median of \$65,000, from \$113,500 at the same time last year--based on hypothetical projects we sent out to an assortment of developers for bids. "Midsize" site prices stayed almost even. Likewise, our "large" site prices showed a significant decrease.

"It's a buyers market--if the buyers were spending," said Steven Addis, president-CEO of Addis Group Inc., a Web development company in Culver City, Calif.

The primary reason for the decline in Web development costs is indeed the dot-com collapse, Addis said.

Many developers, who just a year ago were at the top of the industry, have had to significantly cut staff and costs, some closing entire offices and filing for bankruptcy. "Providers last year could generate huge inflated markups because of the strength of their brands," Addis said. He foresees a "much greater discipline in pricing" as the development industry goes through its most profound shakeout to date. "Salaries and titles are coming down as well," he said. "Clients can shut off revenue very fast, but costs are slower to change."

Participating Developers:

[Addis](#)[Agency.com](#)[AnswerThink Consulting](#)[Chaffee Interactive](#)[Cnation](#)[ComMotion Interactive Inc.](#)[Devon Digital](#)[Dunn Solutions](#)[Emptystreet Productions](#)[Expidant](#)[Grapevine Inc.](#)[Hanrick Associates](#)[Hays Internet Marketing Inc.](#)[HSR Business to Business Inc.](#)[I-Works Inc.](#)[Internet Professionals](#)[Nix Design](#)[OakTree.com](#)[Provide](#)[Quantum Leap](#)[R/GA Interactive](#)[Siegelgale](#)[Springbow Solutions](#)[Streams Online Media Development](#)[WebMetro](#)[WebslingerZ](#)[White Horse Studios](#)[Zefer](#)

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As a result, the developers are seeing changes in the way they do business. Last year they couldn't build projects fast enough for their clients and they had to turn many clients away. But new business is now slowing to a trickle as the VC-fed dot-coms disappear daily and blue-chip clients trim costs. "All that's gone away. No one is turning away business now," Addis said.

To better reflect the changing needs of Web marketers, BtoB added some bells and whistles to the project proposals sent to developers for this year's Web Price Index. Even though the increased technical and content requirements should have driven Web development costs up, the current market conditions kept them near or below last year's levels.

This year, the "small" site proposal was for a high-end brochureware site on the front-end, with a utilitarian database for use within the company. It added Flash animation which, while certainly not a necessity, is on many clients' wish lists. It also factored in upfront costs for tools to maintain and update certain areas of the site automatically rather than incurring recurring development costs for simple tasks.

At least one developer we used didn't bow to market forces. "We're raising the smaller site fees to build more management tools so the customers can be more independent," said Marshall Hays, president of Hays Internet Marketing Inc., Dallas.

The "midsize" site also gained some sophistication, but only raised the median costs a minimal amount.

Hays sees the maturation of the development industry playing a greater roll in pricing. "Even a year ago you were still having to develop most of the tools," he said. "Now we can reuse some code. The thought process and learning curve is already there, and through experience, developers have learned how to make things work more efficiently."

The "large" site proposal was a redesign of an existing site. With the number of from-scratch, large-scale launches seeming to have dropped off in recent months, we created a company going through the second phase of its development process.

Prices for this project dropped dramatically from "large" development in previous Indexes.

Partially, this is because of the greater reliance on off-the-shelf--or at least not from-scratch--back-end tools. "There are more tools we can use to make the bigger sites more manageable," Hays said.

Front-end focus

Addis feels that the front-end should be what most marketers should concentrate on. "Every day the back-end should become more commoditized," he said. "Back-end [experience] can destroy a brand, but it can't make a brand. Front-end experience is what makes a brand."

Another factor in declining Web development costs is the slowdown in technology advancement. Between 1996 and 2000, it seemed that every couple months there was a new bell and whistle to add, new capabilities of HTML to explore and a new browser to support. Now, partly because of the changes in the economic reality, that isn't the case. "The growth of sophistication has been on hiatus for six months," Addis said.

How does that affect pricing? "Projects [back then] took longer because there were more new technologies to learn," Hays said.

And of course, that learning curve was billed back to the client.

Today, prices are down and may go down even more because the economy

hasn't stabilized just yet. Developers are still coming, and many more of them are going. Addis predicts a major evolution in his field is on the horizon, with marketers scrambling to create much more sophisticated sites, developed by the most talented people in the field.

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- [October 1997 - How much does it cost to build a Web site \(September '97\)](#)
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