

Advancing with e-Business

Hourigan Appliance Centre (Retravisation)



Roslyn Hourigan

The business



Hourigan Appliance Centre is a Retravisation store located in Maroochydore, Queensland. It has been retailing electrical appliances to local household consumers for the past 17 years and employs 13 full time staff.

The idea



The e-commerce initiatives were initiated by the Director, Roslyn Hourigan, 3 years ago. She believes that e-commerce is the future of business processes and that implementation is crucial for business survival. With the centralisation of suppliers Panasonic, Sony and Retravisation Head Offices in Sydney and Melbourne, the need to communicate efficiently was also paramount.

A stand-alone computer was set up in the store through which customers could browse suppliers' websites and place an online order. Mobile phones sales enquiries were also conducted with the contract requests placed and approved online. Staff are able to check availability and pricing as well as exchange photographs of products with suppliers.

The business also introduced online banking, bill pay and payroll to streamline administrative functions.

Broadband



Broadband Internet was installed and is accessed on ISDN lines via a microwave dish. Two ISDN lines were set up, one dedicated for product research and one for processing mobile phone contract approvals for customers.

Broadband technology allows consistent access and higher information-carrying capacity. With suppliers located in Sydney and Melbourne, it is imperative that communications regarding product availability, price and transfer of picture graphics are quick and reliable.

The investment



Investment in e-commerce totalled \$15,500. This included staff training and education (\$5,000), the microwave dish and ISDN lines (\$3,000). Another significant portion of start up costs were allocated to the purchase of computer hardware including a laser printer (\$4,000) and a new computer (\$2,500).

Hurdles



Significant challenges faced by Roslyn included costs, system issues, cultural change and market unawareness. Broadband addressed the required speed issues but was too expensive using standard ISDN and so the installation of a microwave dish on the roof was required.

System reliability was also an issue with the heavy daily reliance on online purchasing and ordering. Customers accustomed to physically examining products were wary of "virtual" shopping. Issues about the security of credit card payment over the Internet also had to be addressed. The efficiencies achieved by introducing e-commerce have resulted in increased customer satisfaction, helping to shift attitudes to electronic purchasing. Roslyn found that there was a lack of awareness about e-commerce in the electrical retail market and had to rely on her own research.



Results

Cost savings of \$38,800 were achieved in the first year of implementation. The most significant cost savings were gained from the reduction of stock levels including damaged and obsolete models (\$20,000). Online banking reduced errors and costs have decreased by an estimated \$10,000. E-mail usage diminished staff time spent in communications by \$6,000 (being 5 hours per month). Reductions in photocopying costs and postage and freight were \$1,500 and \$100 respectively.

The time it takes to download photographs and data from the web has been significantly reduced, increasing staff productivity and saving costs on administrative procedures such as ordering and correction of errors, photocopying, postage and freight. Further streamlining has also resulted in using electronic banking and bill pay and submission of the Business Activity Statement.



Future

The next e-commerce initiative will be the development of an interactive website allowing sales to customers to be conducted online. Virtual products that may be fully inspected online are envisioned. Roslyn would also like to further enhance communications with Retravision Head Office.

Revenue and Costs

| | | (\$) |
|--|---------|-----------------|
| E-commerce establishment costs | | |
| Preliminary research | 1,000 | |
| Staff training and education | 5,000 | |
| Telecommunications - microwave dish and ISDN | 3,000 | |
| Hardware - computer | 2,500 | |
| Hardware - laser printer | 4,000 | |
| Total e-commerce establishment costs | | 15,500 |
| | | |
| Operating benefit from e-commerce | | 2001 |
| | | \$ |
| E-commerce cost savings | | |
| Postage and freight | 100 | |
| Photocopying | 1,500 | |
| Administration (errors, banking, bill pay) | 10,000 | |
| Communications time | 6,000 | |
| Stock obsolescence | 20,000 | |
| Telecommunications | 1,200 | |
| Total e-commerce cost savings | | 38,800 |
| <i>Less: Ongoing e-commerce costs</i> | | |
| Amortisation of capital expenditure | (3,875) | |
| Bank charges | (840) | |
| ISP charges | (2,400) | |
| Systems maintenance | (2,400) | |
| Telephony - ISDN | (1,800) | |
| Total ongoing e-commerce costs | | (11,315) |
| Operating benefit from e-commerce | | 27,485 |

For further information on this case study please go to www.noie.gov.au