

Advancing with e-Business Northern Gateway

www.australiawidetravel.com

The business



Northern Gateway is a tour and travel agent that provides information and reservation services for tours, accommodation and flights throughout Australia. The company's customer base consists of both international (70%) and domestic markets (30%).

Northern Gateway is based in Darwin, Northern Territory and employs eight full time consultants in the Inbound Group, plus management and accountancy staff.

The idea



Managing Director, Penni Tastula, believed that e-commerce could assist in marketing the business and reduce the costs associated with advertising through distribution of hardcopy brochures. Previously, it cost \$15 to produce a 50-page full colour brochure, while the two weeks needed for delivery meant the brochure was not received in a timely manner.

A basic website was created in 1997 and later upgraded to include an interactive function, which allows customers to make online enquiries and bookings. The website was marketed through company stationery, search engines and banner advertisements linking visitors directly to the website. In addition they have registered 165 domain names to attract visitors.

Several administrative functions are conducted online, including banking and payroll.

Broadband



Broadband Internet was installed via an Integrated Services Digital Network (ISDN) line, which allows simultaneous connection on the one phone line, thereby eliminating the need for additional lines and multiple modems. By using ISDN, the company ensured stable connectivity and greater traffic capacity than commonly found in narrowband Internet service.

The fast and consistent connection provided by ISDN allows staff to process online transactions more efficiently. Time needed to conduct online banking and payroll is reduced. Email communications with customers are promptly received and transmitted, increasing staff efficiency. This is significant considering over 85 enquiries are received from the website every week.

The Investment



In total, \$87,600 was invested in setting up the e-commerce presence. A major portion of the initial outlay was spent on web development that included marketing (\$18,000), development and updating the old website (\$40,000), registration of 165 domain names (\$16,400). Other costs included approximately three months of staff time spent conducting preliminary research (\$12,000) and installation of the ISDN connection (\$1,200).

Hurdles



Selecting a web developer that met the company's requirements in terms of price, quality and e-business goals proved to be a difficult task. In addition, comprehending technical jargon was challenging and initially prohibited the company from gaining a full understanding as to the web capabilities available on the market. This was overcome by speaking to industry experts in order to gain a thorough understanding of what was required.



Pauline Easy
General Manager

Broadband



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Results

In 2001, Northern Gateway gained an additional \$1,200,000 in revenue as a result of online bookings and enquiries for travel services. This has contributed \$180,000 towards gross profit.

Total cost savings of \$75,000 were also achieved. A substantial portion was related to the company eliminating the need to print and mail marketing brochures (\$40,000). Online management of banking and payroll resulted in eliminating \$1,800 for fax charges and one hour per day of staff time (\$5,200). Overall staff productivity has improved such that an additional full time employee would previously have been required to handle the current level of enquiries (\$28,000).

Ongoing costs for the company totalled \$59,100 during 2001. Costs associated with maintaining the website include \$6000 for rental of the ISDN line, \$3600 for database and website hosting, \$5,200 in staff time to update website details and \$6,000 for use of banner advertisements. Ongoing registration costs for domain names was \$8,000 and also maintenance costs for those hosted domain names, which are now active, was a further \$8,400. In addition, \$21,900 has been allocated to the amortisation of capital expenditure over four years.

Detailed information provided on the website ensures that customers are aware of what features will be included in the travel package and what the conditions are for payment and cancellation. This is important for instilling customer confidence in paying for services without physical interaction with the vendor.

The use of web-enabled functions has improved business efficiency and subsequently increased the number of enquiries that are converted into sales.



Future

Northern Gateway intends to enhance the online features to allow customers to access a reservation system so that bookings can be made immediately through the website. The company also plans to upgrade from an ISDN connection to an Asymmetric Digital Subscriber Line (ADSL) which will further increase the speed of online processes and transactions.



Revenue and Costs

		(\$)
E-commerce establishment costs		
Web development - updating, marketing, upgrades	58,000	
Preliminary research	12,000	
Registration of domain name's (165 names)	16,400	
Telecommunications - ISDN	1,200	
Total e-commerce establishment costs		87,600
Operating benefit from e-commerce		2001
		\$
Additional revenue from e-commerce		
Additional sales generated through the web presence	1,200,000	
Total additional revenue from e-commerce		1,200,000
Less: Cost of goods sold	1,020,000	
Gross profit from e-commerce		180,000
Add: E-commerce cost savings		
Postage/freight - print, distribute and mail brochures	40,000	
Telecommunication - fax charges	1,800	
Staff productivity - operations	28,000	
Online banking and payment	5,200	
Total e-commerce cost savings		75,000
Gross benefit from e-commerce		255,000
Less: Ongoing e-commerce costs		
Amortisation of capital expenditure *	(21,900)	
Ongoing registration of domain names	(8,000)	
Hosted names that are active	(8,400)	
ISP - including ISDN cost	(6,000)	
Database and web hosting	(3,600)	
Updating website - 1 hour/day	(5,200)	
Advertising - online	(6,000)	
Total ongoing e-commerce costs		(59,100)
Operating benefit from e-commerce		195,900

* Note: Capital Expenditure is amortised over a four-year period

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