

Advancing with e-Business

The Perfect Cup

www.perfectcup.com.au



George Ghinis

Advanced e-Business



The Business

The Perfect Cup has been providing gourmet coffees, fine teas, medicinal herbs and accessories to the wholesale and retail markets for 10 years. They specialise in chemical and preservative free ingredients sourced from the world's finest coffee and tea producing regions. Based in Adelaide, South Australia, The Perfect Cup employs 30 full time staff.



The Idea

Following advice from a web developer, Managing Director, George Ghinis initiated e-commerce at The Perfect Cup 12 months ago. George aimed to improve business transaction efficiency and expand the company's customer base through development of a website. In particular, George sought a web-based solution that would integrate an online ordering facility with the company's accounting system at all of its retail outlets. As a result, internal stock ordering processes would be simplified and cumbersome paperwork minimised.



Business to Business (B2B)

The Perfect Cup have established a purchasing system using FlexeGate software whereby the company's retailers can place stock orders online. The transaction involves the retail store selecting products and entering contact and payment details online. Credit card information is sent securely through the Camtech Internet Payments Gateway to be authorised before settlement with The Perfect Cup. Once approved the FlexeGate system sends an order notification to staff via email. An invoice is then automatically forwarded to the retail store.

Flexegate is a total business integration package which has provided The Perfect Cup with website design, hosting services, payment processing and integration of online shopping carts with the company accounting system. In addition, Flexegate offers several value-add functions including online order retrieval, data management, and reporting on key indicators (sales by customer, item or date). Flexegate facilitates direct data entry of orders into The Perfect Cup's MYOB accounting system.

Flexegate enables simplified inventory management. Following the placement of online orders the system automatically updates total stock holdings across the company.



The Investment

The Perfect Cup invested \$13,680 in establishing e-commerce. The majority of this figure was allocated to website development and implementation of the Flexegate software (\$10,000). New purchases of hardware to operate the system included a computer (\$2,000) and printer (\$1,000). Time spent by George in researching appropriate solutions for the business amounted to \$500.



Hurdles

The Perfect Cup's e-commerce implementation presented no significant issues that would affect its success. George recognises, however, that many customers have yet to realise the full benefits of the online system.



Results

In 2001, The Perfect Cup increased gross profit by \$25,000 because of the e-commerce initiative. This was primarily due to online sales and customers having found the business through its website.



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Cost savings totalled \$30,640 in 2001, of which a significant proportion represented increased efficiency in the processing of stock orders following the implementation of the Flexegate software. Staff productivity in the areas of administration (\$24,960) and banking (\$4,680) have improved, savings have also been achieved in printing (\$500) and stationery costs (\$500).

Ongoing costs totalled \$5,420 in 2001. Most expenses are associated with support of the website. George updates the website on a quarterly basis at a cost of \$1,000 while system maintenance fees and website hosting incur \$400 and \$300 respectively. In addition, \$3,420 is allocated to the amortisation of capital expenditure over a four year period.

By minimising paperwork, the company has enjoyed an increase in staff productivity and subsequently shorter delivery cycles. In addition, development of the website has heightened the company's profile and provided customers with another point of reference for obtaining product information and submitting enquiries.



Future

George intends to enhance collaboration between retailers and wholesalers across the supply chain and encourage greater use of online technology by customers. As reliance on web-enabled transactions grows, it is envisaged that an upgrade will be made to Broadband Internet to ensure faster and more reliable execution of transactions.

Revenue and Costs

E-commerce Establishment Costs

		(\$)
Web development (including FlexeGate software)	10,000	
Domain name registration	180	
Preliminary research	500	
Hardware - computer	2,000	
Hardware - printer	1,000	
Total Establishment Costs		13,680

Operating Benefit from E-commerce

		2001 (\$)
Gross Profit from E-Commerce		25,000
<i>Add: E-commerce Cost Savings</i>		
Printing	500	
Stationery	500	
Staff time: general administration	24,960	
Staff time: banking and payroll	4,680	
Total E-commerce Cost Savings		30,640
Gross Benefit from E-commerce		55,640
<i>Less: Ongoing E-commerce Costs</i>		
Amortisation of Capital Expenditure*	(3,420)	
Website hosting and Internet connection	(300)	
Telephony - fixed	(300)	
Staff time: annual maintenance	(400)	
Staff time: website updates	(1,000)	
Total Ongoing E-commerce Costs		(5,420)
Operating Benefit from E-commerce		50,220

* Note: Capital Expenditure was amortised over a four year period

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