

# Advancing with e-commerce

## Aboriginal Fine Arts Gallery

[www.aaia.com.au](http://www.aaia.com.au)



### The business

Aboriginal Fine Arts (AFA) is a privately-owned art gallery, based in Darwin. The company, owned by Phil Hall, employs three full-time staff and one casual, and sells predominantly to local and international tourists.



### The idea

Phil adopted e-commerce in 2000 because he saw it as an additional channel to market. With the majority of business coming from tourists, the site enables visitors to order artwork once they return home or recommend it to others.

Phil also saw adopting e-commerce as a way of smoothing his high and low season sales fluctuations.

The website was designed to complement the physical gallery. The Darwin gallery helps drive customers to the site and repeat sales form a large part of online sales. However, the majority of online purchasers are referred to the site from search engines.

Phil is committed to a quality service, and updates his site weekly, and ensures all artworks advertised are currently for sale. He also responds to all requests within 24 hours.

The website features profiles on artists, information on Aboriginal culture and links to other informative sites. This has reduced time spent answering customer enquiries on Aboriginal culture and art. Purchasers place orders via e-mail, fax, phone or mail, and interactive order forms are currently under construction.



### The investment

Phil developed the AFA site himself, resulting in a minimal cash outlay of \$3,000 for the purchase of hardware. While Phil's dollar investment was small, he spent 150 hours (or \$3,000 at his hourly rate) developing the site.

Phil's commitment to the e-commerce initiative is evident by the quality and amount of detailed information on the site. However, this commitment takes time, contributing to the estimated \$2,080 in annual non-cash costs of maintaining and updating the site.



### Hurdles

Phil's main challenge in implementing e-commerce has been the time commitment required to maintain the site and respond to e-mails. As the gallery has a fairly high turnover of artwork, Phil is constantly updating the site to ensure that artwork sold is removed and new works displayed. Because Phil is the only staff member who has the skills to modify the website, the responsibility is his alone. However, Phil could outsource this work if necessary.



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## Results

AFA has benefited substantially from its venture into e-commerce. From an initial investment of \$6,000 (including development time), AFA has generated a net benefit of approximately \$42,400 in 2000.

Phil estimates incremental gross profit attributable to e-commerce as approximately \$5,000 per month, contributing an additional \$60,000 to the gross profit of the business.

AFA's investment in e-commerce has added a new dimension to the business and helped overcome tourism dependence and the wet season down turn in sales. Capturing the overseas market, particularly the lucrative US market, has added stability and growth to the business.

The site brings in six enquiries a day, with one out of every eight online enquiries resulting in a sale. That equates to approximately one painting and four to five didgeridoos each week, averaging \$1,154 per week. Also, there are extraordinary sales from time to time, such as the sale of a \$10,000 painting to a Hong Kong buyer.

Phil estimates he spends eight hours per week responding to emails and a further two hours per week updating the site. At \$20 per hour this represents an ongoing e-commerce cost of \$8,320 per year responding to e-mails and \$2,080 per year maintaining the site.

## Future

Phil has plans to create a virtual 3D online gallery, which purchasers can 'walk through'. He is also considering developing a live camera facility where site visitors can view artists painting online.

Once introduced, the planned electronic ordering will create further cost reductions by streamlining procedures. Given that the site has already stimulated a substantial increase in revenue, improvements to the site are likely to increase the current growth in sales.



	2000 Actual \$
<b>Gross profit from e-commerce</b>	<b>60,000</b>
<b>Gross benefit from e-commerce</b>	<b>60,000</b>
<u>Less: ongoing e-commerce costs</u>	
ISP	(600)
Server maintenance	(600)
Responding to e-mails (non-cash)	(8,320)
Site maintenance (non-cash)	(2,080)
<b>Total ongoing e-commerce costs</b>	<b>(11,600)</b>
<b>Operating benefit from e-commerce</b>	<b>48,400</b>
<u>Less: E-commerce establishment costs</u>	
Website development (non-cash)	(3,000)
Hardware	(3,000)
<b>Total e-commerce establishment costs</b>	<b>(6,000)</b>
<b>Net e-commerce benefits after establishment costs</b>	<b>42,400</b>

For further information on this case study please go to [www.noie.gov.au](http://www.noie.gov.au)