

# Advancing with e-Business

GroupGSA

www.groupgsa.com



Jim Wright

e-Security



## The business

Established in 1979, Group GSA is an architectural practice specialising in architectural planning, interior design and urban planning. Services are targeted at the construction industry and focus on commercial fit outs and construction, large-scale residential developments and government contract work. The company has operations in Australia, the Pacific, Asia and the USA.

Group GSA is based in Sydney, NSW and employs 55 full time staff.

## The idea

Jim Wright, IT manager, introduced e-commerce approximately four years ago with the use of email communication. He envisaged a paperless office that would minimise printing and courier costs. A brochure style website was initially created and gradually upgraded to include project management functions.

Jim is an architectural draftsman by trade who is also experienced in Information Technology (IT). Preliminary research involved investigating the online capabilities of competitors and contacting clients to determine the type of online services they required.

A web developer was commissioned to implement the technical features of the e-commerce strategy. In addition, an external IT consultant provided advice regarding security requirements for the system.

The primary objective of the e-commerce strategy was information dissemination. A website was built which informed prospective clients about the company's capabilities and credentials. Clients can logon to password protected areas and monitor the progress of their project. A Virtual Private Network (VPN) was also established to support information sharing within the company.



## e-Security

E-security was vital to providing clients with the assurance that information transfer via the website was secure. It was also necessary to protect against disruption to system operations. Security measures adopted include password protection, anti-virus software, firewalls to protect the server and encryption technology for the transfer of data via the VPN. These are supplemented with frequent data backup and physical security measures.



## The investment

Since 1998, Group GSA has invested a total of \$152,200 into establishing e-commerce. Costs associated with building the website included website design and marketing (\$60,000) and registration of domain names (\$1,200). A digital camera needed for taking images of architectural plans was purchased for \$1,500. Investment in system security involved purchase of a dedicated server to support the firewall (\$2,700) and initial installation of anti-virus software (\$1,300).



## Hurdles

One of the main challenges faced by the company is the need to convince external consultants (eg, structural engineers) as to the benefits of online project management. The lack of skilled IT staff was also an initial problem, however, this was overcome by staff training.

Furthermore, Jim felt that set up costs of e-commerce were substantial. This was managed by the incremental development of online capabilities.



## Results

Additional sales of \$500,000 were derived from e-commerce, which is ascribed to clients who contacted the company after visiting the website.

The use of e-commerce has also brought significant cost savings, totalling \$114,000 in 2001. Reduced communication time by using emails over phone and fax has saved \$50,000. After sales service is now provided online, reducing staff time spent managing queries and providing documents from completed projects (\$20,000). The uptake of electronic correspondence has



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reduced office supply costs including postage/courier (\$8,000), photocopying (\$4,000) and printing (\$2,000).

Total ongoing costs were \$120,278 in 2001. The majority of ongoing costs were required to support the Virtual Private Network and include system maintenance (\$3,300), Lotus Notes licence fees (\$1,200), data storage (\$2,400) and staff time required to maintain the network (\$55,000). Costs associated with e-security include data back-up and storage (\$2,400), licence fees for anti-virus software (\$1,300) and security consultant fees (\$2,820).

Customers have reported that they feel empowered as they have convenient access to project information, allowing them to monitor development and be pro-actively involved in the project. With a more responsive communication system, the risk of misunderstandings or mistakes is minimised. Staff response time to client enquiries is also reduced as the online systems expedite staff access to the required information.

## Future

Group GSA plans to implement an extranet system, which will allow staff and alliance partners to access the internal system. Entry will be via a login account on the company website.

Jim's recommendation to those first venturing into e-commerce is that development should be incremental. Careful analysis of business needs should be undertaken to ensure a cost effective result. In addition, installation of adequate security measures is important for fostering client and staff confidence in the online systems.

## Revenue and Costs

	(\$)
<b>E-commerce establishment costs</b>	
Web development - marketing (including via client sites)	60,000
Preliminary research	2,000
Staff training/education	15,000
Database integration - development of Lotus Notes database	25,000
Domain names	1,200
Telecommunications - purchase of ISDN and ADSL	1,500
Software - Lotus Notes	12,000
Software - anti-virus application	1,300
Hardware - servers	27,000
Hardware - digital camera	1,500
Hardware - routers	3,000
Hardware - server for firewall	2,700
<b>Total e-commerce establishment costs</b>	<b>152,200</b>
<b>Operating benefit from e-commerce</b>	<b>2001</b>
	<b>\$</b>
<b>Additional revenue from e-commerce</b>	<b>500,000</b>
<i>Less: Cost of goods sold</i>	<i>(400,000)</i>
<b>Gross profit from e-commerce</b>	<b>100,000</b>
<i>Add: E-commerce cost savings</i>	
Postage/freight - include courier	8,000
Photocopying	4,000
Printing	2,000
Staff time - after sales service	20,000
Bank charges	1,000
Staff time - communication	50,000
Staff time - project administration	15,000
Telecommunication	4,000
Staff time - payroll	10,000
<b>Total e-commerce cost savings</b>	<b>114,000</b>
<b>Gross benefit from e-commerce</b>	<b>214,000</b>
<i>Less: Ongoing e-commerce costs</i>	
Amortisation of capital expenditure*	(38,050)
Bank charges	(300)
ISP - include ADSL	(9,600)
Data storage - backup and storage	(2,400)
Website hosting	(3,600)
Systems - maintenance	(3,300)
License fees - Lotus Notes	(1,200)
License fees - Anti-virus software	(1,300)
Telephony - fixed (ISDN rental)	(708)
Training	(2,000)
Staff time	(55,000)
Consulting Fees - security of VPN, firewall	(2,820)
<b>Total ongoing e-commerce costs</b>	<b>(120,278)</b>
<b>Operating benefit from e-commerce</b>	<b>93,722</b>

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

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