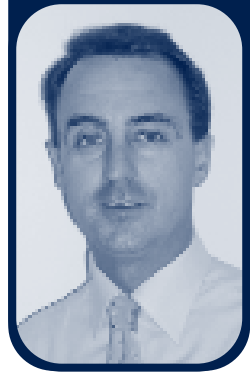


Advancing with e-Business

Force Technology International

www.forcetechnology.com.au



Stephen Gluck

Advanced e-Business



The Business

Established in 1992, Force is a leading supplier of mobile accessory and data products in Australia. Based in Perth, Force has five interstate offices and distribution centres in Western Australia and Queensland. The company currently employs 45 full-time staff nation-wide.



The Idea

Force's e-commerce strategy was initiated in early 1999 by Director, Michael Doust and Chief Financial Officer, Stephen Gluck. Both believed that e-commerce was a critical driver for maintaining competitiveness and improving communications, particularly with international suppliers. To this end, several web-enabled applications have been implemented. This includes establishment of a Virtual Private Network (VPN), website, email, Short Message Service (SMS), online banking and the provision of online account data to customers.



Virtual Private Network

Force has implemented a VPN to co-ordinate activities between the main facilities in Perth and the distribution centre in Brisbane. Utilising the public telecommunication infrastructure, a private data network was established to maintain communications privacy and security. The VPN has eliminated the need for multiple systems.

Implementation of the VPN has improved both internal and external communications between staff, customers and suppliers. For example, through use of the VPN, Brisbane based warehousing staff have direct access to the system's accounting functions such as ordering and invoicing. Additionally, staff in the Perth office can troubleshoot remote computers and conduct live demonstrations with the Brisbane office.



The Investment

Force invested a total of \$95,461 into establishing e-commerce. The majority of this figure was allocated to setting up the VPN including system integration (\$8,000) and development of the website and network (\$82,361). Time spent researching suitable technology solutions amounted to \$2,680 while purchase of new hardware incurred (\$2,000).



Hurdles

Although staff and suppliers have embraced Force Technology's new system, some customers remain wary of online credit card security and have yet to exploit the advantages of the online system. Through emailing of marketing material and statements, Force actively encourages greater utilisation of its web-based facilities.



Results

Of 450 orders processed daily, approximately five to ten percent of sales orders are now made via the company website. The online sales facility has been successful in establishing an additional revenue channel and has also enabled the formation of a strategic relationship with a major telecommunications carrier.

Total cost savings amounted to \$114,500 in 2001. The new Foreign Exchange Dealing system has simplified the execution of international payments resulting in improved staff efficiency (\$7,500). In addition, transaction fees (\$2,400) and international faxing costs (\$400) have also been reduced.



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Reductions in correspondence time through use of the VPN, email and short message service (SMS) have resulted in cost savings of \$6,000 in long distance calls, \$9,000 in international courier fees and \$12,000 in purchasing department staff time. With approximately 90 percent of customers based in the Eastern states, electronic distribution of statements, flyers and price lists saves \$15,000 in printing costs and reduces postage and fax costs by \$8,400 and \$6,000 respectively.

Use of electronic banking and payroll has produced cost savings through the reduction in postage (\$1,200), stationery (\$1,200) and staff time (\$800). Force has been able to improve staff efficiency in general administration, saving \$38,000. In addition, electronic vendor payments have decreased cheque drawings from approximately 200 to 20 per month, saving \$1,800.

Ongoing costs totalled \$49,895 in 2001. Non-discretionary costs were mainly associated with web support including Application Service Provider (ASP) hosting (\$1,980), Integrated Digital Network (ISDN) connection (\$3,300) and maintenance of the website by marketing staff (\$20,000). In addition, capital expenditure is amortised over a four-year period (\$24,615).

Communication processes have significantly improved with email emerging as the predominant form of correspondence. Email use has simplified the distribution of marketing material and enabled segment targeting. In addition, customers can now download customised price lists. Staff efficiency in managing business development efforts has significantly improved with less time now spent in manual tasks such as faxing and postage.

The streamlining of operating processes has been crucial in supporting company expansion. Centralisation of marketing, accounting and customer information has enabled staff easier access to required information. By providing customers with online access to the accounting system, customers are empowered to track their own account status and obtain invoices.



Future

Force is undertaking several initiatives to encourage greater customer usage of the company website and online account management functions. One such initiative includes the replacement of postage with emailing of monthly statements to customers.

Revenue and Costs

E-commerce Establishment Costs

		(\$)
Web development	82,361	
Preliminary Research	2,680	
Registration of domain name	420	
System integration	8,000	
Hardware - computer	2,000	
Total Establishment Costs	95,461	

Operating Benefit from E-commerce

		2001 (\$)
<i>Add: E-commerce Cost Savings</i>		
Postage (flyers, electronic payments)	9,600	
Couriers (international)	9,000	
Printing (flyers, price lists, statements)	15,000	
Faxing (overseas telegraphic transfers, marketing)	6,400	
Stationery (electronic payments)	1,200	
Telephony (long distance calls)	6,000	
Banking (cheque savings, overseas telegraphic transfers)	4,200	
Staff time (payroll, statements, overseas transfers, purchasing)	25,100	
Staff time (general administration efficiency)	38,000	
Total E-commerce Cost Savings	114,500	
Gross Benefit From E-commerce		114,500
<i>Less: Ongoing E-commerce Costs</i>		
Amortisation of capital expenditure*	(24,615)	
ASP hosting	(1,980)	
ADSL connection	(3,300)	
Website updating	(20,000)	
Total Ongoing E-commerce Costs	(49,895)	
Operating Benefit From E-commerce		64,605

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

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