

Advancing with e-Business

Technical Bookshop

www.techbooks.com.au

The Business



Techbooks is a family business established in 1941 by the Radford family. Today, family members still own and manage the business in the same Melbourne building. Techbooks stocks specialised and unique books in the subject areas of Automotive, Computers, Engineering, Aviation, Electronics, Business and Military.

The business is based in the Melbourne CBD and employs 20 full-time staff.

The Idea



In 1995, Paul Radford, the Managing Director, introduced e-commerce to minimise costs, particularly in the preparation and printing of brochures and marketing the latest books and specials. Paul believed a website would also provide an additional communication channel by which customers could contact Techbooks at their own convenience.

In researching options for the Techbooks website, Paul contacted several web developers and technical experts. The website was set up by a web developer, a graphic design group produced the visuals and a Techbooks staff member updates and conducts maintenance on the site two to three times per week.

The website has provided an additional revenue stream for the company. Customers can email orders, paying by credit card using Techbooks secure shopping system. Staff at all points of sale have fast Internet access to suppliers' database of stock availability and are able to respond quickly to customer enquiries.

Techbooks also uses online banking and payroll systems.

Broadband



Paul installed broadband Internet access to overcome speed limitations experienced with dial-up access. Fast and reliable Internet access was of particular importance when customers were waiting for staff to access supplier databases to obtain information relating to pricing, stock availability and estimated delivery times. Paul realised that keeping customers waiting for such information, whether on the phone or in the store would have a negative impact on customer service delivery and reputation of the business.

The Investment



Since 1995, Techbooks has invested \$18,072 into implementing e-commerce. A substantial portion of start-up costs were allocated to developing the website (\$15,000) and time spent by Paul researching website options (\$1,750). The total cost of Internet access was \$1058, being \$500 for a new telephone line and modem and \$558 for Asymmetric Digital Subscriber Line (ADSL) installation.

Hurdles



Initially, the simplicity of the website meant there were few problems. However, as the number of staff that accessed the dial up service grew, the line became congested and slow. This was later resolved by the installation of an ADSL.



Paul Radford

Broadband



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Results

The operating benefit of \$64,902 in 2001 alone is more than three times the initial investment of \$18,072. In particular, the website has been successful in establishing an additional revenue stream for the business, with online sales totalling \$120,000.

Cost savings totalled \$43,740 in 2001. These included savings of \$20,000 in printing of brochures and cheques as the business now uses the website for marketing and processes banking online. By being able to access supplier prices and availability details on the Internet, telecommunication expenses have been reduced by \$2,000 and ten percent of six staff members' time has been saved, amounting to \$15,600.

Ongoing expenses totalled \$24,438, including time for website and database administration of \$13,520, telephone line charges of \$5,400 and website hosting of \$1,000. In addition, \$4,518 was allocated to the amortisation of capital expenditure over four years.

Future

Paul plans for a real time stock control feature to be available on the website so that customers can check book availability for themselves. This feature would be linked to the company's accounting system for inventory management. It is also planned that all orders to suppliers will be made online.

For those considering implementing e-commerce into their business, Paul recommends thorough research and cost management. He believes that a good result can be achieved without a heavy establishment cost.

Revenue and Costs

E-commerce establishment costs

		(\$)
Web development in 1995	15,000	
Preliminary research	1,750	
Staff training and education	84	
Domain name	180	
Telecommunications - broadband	558	
Telecommunications - new line and modem	500	
Total e-commerce establishment costs		18,072

Operating benefit from e-commerce

		2001 (\$)
Additional revenue from e-commerce		
Internet Sales	120,000	
Total additional revenue from e-commerce		120,000
Less: Cost of goods sold	(74,400)	
Gross profit from e-commerce		45,600
Add: E-commerce cost savings		
Postage/freight	5,540	
Printing	20,000	
Telecommunication	2,000	
Banking	600	
Staff time - ringing suppliers	15,600	
Total e-commerce cost savings		43,740
Gross benefit from e-commerce		89,340
Less: Ongoing e-commerce costs		
Amortisation of capital expenditure *	(4,518)	
Website hosting	(1,000)	
Staff time - site maintenance	(10,920)	
Staff time - database maintenance	(2,600)	
Telephony - broadband	(4,200)	
Telephony - dialup	(1,200)	
Total ongoing e-commerce costs		(24,438)
Operating benefit from e-commerce		64,902

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

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