

Advancing with e-Business

Bojangles Saloon

www.boslivesaloon.com.au



The Business

Bojangles was first established in 1935 as a guesthouse. In 1998, new owners Avril and Chris Vaughan, fashioned the site into a hotel restaurant providing food, beverages and entertainment for tourists and locals. Bojangles Saloon and Restaurant is located at Alice Springs, Northern Territory, and employs 42 full time employees.



The Idea

Avril initiated the e-commerce strategy in January 1999 with the aim of improving business profitability. She understood that Internet technology could provide a means for automating manual processes and reducing administration costs in banking, payroll and communications. A website would also market the business to regional and overseas visitors as well as providing an additional sales channel through online purchases.



Avril Vaughan



Supply Chain Integration

Supply Chain Integration focuses on the strategic sharing of information in order to promote synchronised planning and workflow coordination amongst business partners. Bojangles believed that the goals of cost reduction and improved customer satisfaction could be addressed through participation in an online supply chain. Communication with suppliers through email eliminated large volumes of paperwork, effectively improving staff efficiency. Instantaneous transmission of information reduced the incidences of errors in payments, orders and deliveries.

Internet technology provides a means for streamlining the supply chain. By providing greater visibility across the supply chain, suppliers and customers are better equipped to forecast the demand for beer or the availability of tables on a particular night. From Bojangles' perspective, greater visibility facilitates better control of inventory levels and stronger collaboration with supply chain partners such as the major breweries or tour operators.

For customers, the company website provides links to the online store, tours and accommodation. A live web cam also allows tourists to video link themselves while in the Bojangles saloon and project the image to friends and family around the world.



The Investment

Bojangles invested a total of \$15,065 into the e-commerce system. A major portion was allocated to the external web developer in building the website and installing the Internet web cam (\$14,000). The time undertaken by Avril in researching e-commerce strategies represented a cost of \$750. The business spent \$135 in acquiring antivirus software for its computer.



Hurdles

Bojangles has had occasional difficulties logging online using their dialup connection. However, these difficulties were quite rare, and only resulted in a minor disruption to business.



Results

During 2001, Bojangles has generated additional revenue of \$1,200 from online sales via its website and bookings made by visitors over the Internet. This contributed \$600 towards gross profit.

The business achieved significantly greater cost savings during the year as a result of e-commerce efficiencies. Total expense savings amounted to \$57,236. Substantial savings were derived from improved staff productivity, resulting in less time required to address customer enquiries and perform manual duties such as banking and payments to suppliers (\$52,000). Other cost savings include the reduction in print media advertising (\$2,500), bank charges (\$1,800) and reduced postage and freight costs required to send correspondence to customers and suppliers (\$936).

The total ongoing cost of the e-commerce operation was \$7,379. Expenses associated with supporting the website including Internet Service Provider (ISP) fees (\$1,620) and website maintenance (\$1,320). A further \$3,766 has been allocated towards the amortisation of capital expenditure over a four-year period.

Future

Bojangles plans to adopt a Business to Business (B2B) point of sale (POS) system and place online orders with two of its major liquor suppliers, Carlton United Brewery (CUB) and The Australian Liquor Market.

The POS system is a computer that has a program allowing direct interaction with suppliers. When orders are taken from customers in the saloon, the POS system enters the order directly into the system, recording the decrease in inventory level. This allows Bojangles staff to be able to monitor stock levels in real-time, and know exactly how much of each product is available at any time. This then simplifies the stocktake and reordering processes. Furthermore, Bojangles will benefit from several value added services including specialised support, online account enquiries and order tracking functionalities.

Revenue and Costs

		(\$)
E-commerce Establishment Costs		
Web development - including installation of web cam	14,000	
Preliminary research	750	
Registration of domain name	180	
Software - antivirus	135	
		15,065
Operating Benefit from E-commerce		
		2001
		\$
Additional Revenue from E-commerce		
Domestic sales - Internet based	1,200	
Total Additional Revenue from E-commerce		1,200
<i>Less: Cost of Goods Sold</i>	(600)	
Gross Profit from E-commerce		600
<i>Add: E-commerce Cost Savings</i>		
Postage / Freight	936	
Bank charges	1,800	
Printing - reduced print media for marketing	2,500	
Staff time: Banking and communication	52,000	
Total E-commerce Cost Savings		57,236
Gross Benefit from E-commerce		57,836
<i>Less: Ongoing E-commerce Costs</i>		
Amortisation of capital expenditure*	(3,766)	
Internet Service Provider	(1,620)	
Software upgrade	(229)	
Website hosting	(1,320)	
Antivirus software upgrade	(64)	
Telephony - fixed	(276)	
Telephony - variable	(104)	
Total Ongoing E-commerce Costs		(7,379)
Operating Benefit from E-commerce		50,457

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

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