

Advancing with e-Business

Kell & Rigby Pty Ltd

www.kellrigby.com



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Advanced e-Business



The Business

Kell & Rigby was established in 1910 by carpenters William Kell and Leslie Rigby. Today, the company specialises in project management and construction of medium to large-scale projects for the industrial, commercial, government and residential sectors. Kell & Rigby have established offices in Sydney, Canberra and Shanghai, and currently employs 135 full time staff.



The Idea

Kell & Rigby found that both customers and suppliers, particularly government organisations, were increasingly demanding higher levels of system integration to enhance the transparency of construction and project management processes. To achieve this goal, Kell & Rigby initiated the integration of cross-departmental systems and the streamlining of procurement processes. In addition to the e-procurement system, several other business processes have also been web-enabled including research and banking.

E-Procurement

E-procurement refers to the business to business (B2B) purchase of supplies using the Internet. Kell & Rigby have invested in e-procurement software to enable consolidation of purchasing processes and automation of inventory controls. The software also acts as a central repository for Kell & Rigby's list of current and potential future suppliers. This database includes contact details, product specifications and production lead times.



The software has enabled the company to negotiate prices for materials that apply across the firm's portfolio of construction projects. Site managers are able to log purchase orders online and submit them directly to the accounts payable department. In some instances, this information is also relayed electronically to the supplier who then fills the order and arranges delivery to the particular site. This enables the company to standardise purchasing rates company wide rather than on a site-by-site basis. An online form is available whereby potential suppliers submit details for Kell & Rigby to assess materials suitable to the company's requirements. Suppliers enter specific details about their company, products and services, production lead times and credentials. This information is then sent electronically to Kell & Rigby staff for assessment and if suitable, added to a central supplier database.

The Investment



Kell & Rigby invested a total of \$185,500 in the online system. The single largest investment was in telecommunications infrastructure required to support the network (\$100,000). Expenses related to establishing the integrated network include database integration (\$25,000) and enterprise resource planning software (\$20,000). To support the new infrastructure e-procurement software (\$5,000), hardware (\$5,00) and office equipment (\$10,000) were purchased. A further \$20,000 was spent on web development and staff training.



Hurdles

Kell & Rigby initially encountered internal resistance to the e-procurement solution due to staff being unfamiliar with Internet technology and the new processes. This issue is being overcome through gradual implementation of the new system together with extensive education and training.

Results



In 2001 Kell & Rigby achieved a net benefit from e-commerce of \$41,225 and anticipates benefits to increase following the full implementation of e-commerce initiatives. Most benefits were realised in the form of cost savings, which totalled \$442,000 in 2001. The use of email as the main method of correspondence has improved staff efficiency in communications (\$50,000), telecommunications expenses (\$40,000) and reduced the need to travel to supplier and client premises (\$30,000). Electronic communication has also reduced the need for brochures, purchase orders and invoices to be distributed in hardcopy. This has resulted in reducing postage (\$30,000), photocopying (\$7,000),



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printing (\$15,000) and stationery expenses (\$15,000). By web-enabling finance processes, significant benefits have been realised in improved staff efficiency in administration of finance functions and in transaction fees. As a result, cost reductions due to time savings have been achieved in the areas of banking (\$10,000), Bill Pay (\$10,000) and payroll (\$20,000), additionally cost savings in bank charges amounted to \$1,000. General staff efficiency has improved, resulting in error reductions (\$22,000) and improved productivity in administrative tasks (\$200,000). Ongoing costs associated with the online procurement system amount to \$400,775 annually. Additional staff required to manage system functionality incurred costs of \$150,000, while system administration and maintenance costs amounted to \$50,000 and \$40,000 respectively. Expenses associated with supporting online operations include Internet Service Provider (ISP) fees (\$14,400), subscription to an external helpdesk service (\$40,000) and total telephony fees (\$30,000). Capital expenditure is amortised over a four-year period (\$46,375).

Kell & Rigby's new online system has significantly reduced time and paperwork required to perform purchasing, inventory control and banking tasks. By integrating the company system with supplier systems, the procurement process is streamlined and staff are satisfied as the system has contributed to their improved productivity and efficiency. By enabling access to online research, Kell and Rigby's site supervisors are now better positioned to locate competitive pricing opportunities, suitable suppliers and devise leading edge methods of construction.



Future

Future initiatives for the company include the roll-out and trial of an Intranet, a private internal network using Internet protocols, allowing the connection of geographically distributed networks and the integration of external consultants for streamlined document and information transmittal purposes.

Revenue and Costs

E-commerce Establishment Costs

		(\$)
Web development	10,000	
Staff training	10,000	
Database integration	25,000	
Enterprise Resource Planning Software	20,000	
Domain name registration	500	
Telecommunications	100,000	
Office equipment	10,000	
Software - E-procurement	5,000	
Hardware	5,000	
Total Establishment Costs	185,500	

Operating Benefit From E-commerce

		2001 (\$)
<i>Add: E-commerce Cost Savings</i>		
Postage and freight	30,000	
Photocopying	7,000	
Printing	15,000	
Stationery	2,000	
Staff time: error reduction	22,000	
Staff time: banking	10,000	
Staff time: bill payments	10,000	
Staff time: payroll	20,000	
Bank charges	1,000	
Staff time: communication	50,000	
Education	5,000	
Travel	30,000	
Staff time: general administration	200,000	
Telecommunication	40,000	
Total E-commerce Cost Savings		442,000
Gross Benefit From E-commerce		442,000
<i>Less: Ongoing E-commerce Costs</i>		
Amortisation of capital expenditure*	(46,375)	
Internet Service Provider	(14,400)	
System maintenance	(40,000)	
System administration	(50,000)	
Software applications	(5,000)	
Licence fees	(5,000)	
Telephony - fixed	(10,000)	
Telephony - variable	(20,000)	
Administration - external helpdesk consultants	(40,000)	
Training	(10,000)	
Staff	(150,000)	
Website updates	(10,000)	
Total Ongoing E-commerce Costs		(400,775)
Operating Benefit From E-commerce		41,225

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

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