

Advancing with e-Business

Sea Transport Solutions

www.seatransport.com



Steve Bennett

Advanced e-Business



The Business

Established in 1976, Sea Transport Solutions (STS) offer design and consulting services in shipbuilding to operators of both commercial vessels and pleasure craft in the marine industry. Based in Southport, Queensland, STS employs 14 full time and two part time staff.



The idea

With 80 percent of business being conducted internationally, STS's methods for marketing, research and communication required significant time commitments and cost. Endeavouring to improve the efficiency of business processes, Steve Bennett, Design Office Manager, first introduced e-mail in 1992. More recently, a company website has been introduced and provides a fully interactive project management tool for clients both locally and internationally.



International Trade

Traditionally, Australian industries have suffered significant barriers to entry to international markets due to geographical constraints. Capital requirements for setting up overseas operations have precluded many companies from expanding overseas.

The use of electronic communication and online project management facilities has exposed STS's products to a worldwide market by overcoming the barriers of geography and differing time zones. The client project management function of the website enables customers to monitor progress and coordinate operations at their convenience.



The Investment

Establishment costs for the e-commerce system amounted to \$43,540. Steve invested \$2,500 of his own time in preliminary research before recruiting an external web developer to create an interactive website for \$5,000. A significant investment was made in hardware infrastructure including cabling to allow Broadband Internet (\$2,500), backup tapes/compact disc (CD) drives (\$2,500), cabinet and desks (\$1,000) and a new computer terminal (\$3,000). Services required to support system implementation include data base integration (\$1,000) and system design (\$20,000).



Hurdles

System reliability was an issue when the new network was integrated with the existing software and hardware infrastructure. The original hardware had difficulties supporting the multi user capabilities of STS's Asymmetric Digital Subscriber Line (ADSL) Internet connection. In addition, the networking capabilities of their industry standard software presented performance issues. After seeking expert advice, this hurdle was overcome by upgrading the operating systems as well as the supporting hardware to support the multi-user networking environment.



Results

STS's e-commerce initiative has enabled the company to enter new international markets, generating additional revenue of \$200,000 in 2001. Additional business gained as a result online marketing via the website and increased customer satisfaction, which led to additional contracts, was estimated at \$65,000. In 2001, this contributed a total of \$85,000 to gross profit, nearly double the establishment cost of \$43,540.

Cost savings in 2001 as a result of STS's e-commerce implementation amounted to \$124,700. Marketing, research, and communication facilities afforded by the Internet saved the company \$50,000 in travel time and a further \$35,000 in labour costs due to improved staff efficiency. Electronic communication via email has reduced the company's reliance on the telephone and fax saving staff time valued at \$20,000 and an additional \$6,000 in postage and telecommunication charges.



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Ongoing costs associated with e-commerce for 2001 totalled \$42,685. System maintenance incurs IT consultant fees of \$20,000, data storage costs of \$6,000 and software application fees of \$500. Costs associated with supporting the website include \$600 in Internet Service Provider fees and \$2,000 in website hosting fees. In addition, \$10,885 was allocated to the amortisation of capital expenditure over a four year period.

Customers of STS have been impressed with the website, confirming its success in improving customer satisfaction and the international profile of the company. Clients value the ability to monitor order progress in real time as they can now coordinate their own activities and remain informed on every aspect of their order.

Future

STS's future plans include further developing the interactivity of the website's project management section to incorporate Customer Relationship Management (CRM). This will enable the company to produce and target customised newsletters for groups and individual clients. The website is being reviewed and updated with new pictures, and the latest in video and graphic design technology to encourage return visits by clients and potential customers.



Revenue and Costs

E-commerce Establishment Costs

		(\$)
Web development	5,000	
Preliminary Research	2,500	
Database integration	1,000	
Advertising - offline	5,500	
System design, software and troubleshooting	20,000	
Registration of domain name (x3)	540	
Telecommunications - broadband and cabling	2,500	
Disaster recovery plan	2,500	
Back office cabinet and desks	1,000	
Hardware - one computer	3,000	
Total Establishment Costs		43,540

Operating Benefit from E-commerce

		2001 (\$)
Revenue from E-commerce		265,000
<i>Less: Direct Costs</i>	(180,000)	
Gross Profit from E-commerce		85,000
<i>Add: E-commerce Cost Savings</i>		
Postage and freight	4,000	
Photocopying	200	
Printing	500	
Stationery	1,000	
Banking - staff time and bank charges	10,000	
Staff time: communication	20,000	
Staff time: market research	2,000	
Travel	50,000	
Staff time: general administration	35,000	
Telecommunications	2,000	
Total E-commerce Cost Savings		124,700
Gross Benefit from E-commerce		209,700
<i>Less: Ongoing E-commerce Costs</i>		
Amortisation of capital expenditure*	(10,885)	
Bank charges	(2,000)	
Printing	(500)	
Internet service provider	(600)	
Data storage	(6,000)	
IT consultants - maintenance and administration	(20,000)	
Website hosting	(2,000)	
Software	(500)	
Telephony	(200)	
Total Ongoing E-commerce Costs		(42,685)
Operating Benefit from E-commerce		167,015

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

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