

# Advancing with e-commerce

## Dragonfly Trout Adventures

[www.fishingtasmania.com](http://www.fishingtasmania.com)



### The business

Dragonfly Trout Adventures, based in Newtown, Tasmania, offers fishing tours and hobby training programs for amateur fly-fishing enthusiasts. Chris Hill started the business five years ago and remains its only employee. Subcontractors are employed as the need arises.



### The idea

Chris was not familiar with the use of the Internet when he started his business. Through the media, he became aware of the increasing use of the Internet by businesses and individuals, and felt the Internet could be an inexpensive and effective marketing tool for his business.

Chris conducted online research about his competitors' e-commerce strategies and to gain an understanding about what a website could do for his business. He also joined search engine mailing lists to discover the different uses of the Internet.



### The investment

Chris's set-up costs were \$4,930. Since the business had no existing IT infrastructure, Chris had to purchase a new computer and other hardware, including a scanner and digital camera, which cost him \$4,500. He also set up a URL, which cost \$180.

Chris designed and developed the Dragonfly Trout Fishing website himself, using Dream Weaver and Microsoft Front Page software (\$250). The site is hosted externally and Chris performs the maintenance in-house.

Ongoing e-commerce costs are approximately \$5,322, comprising Internet service provider fees, web hosting, time spent answering emails and website maintenance (non-cash).



### Hurdles

Chris finds website maintenance is time consuming given his limited knowledge of e-commerce. However, this strategy is more cost effective than outsourcing web development and maintenance, especially given Chris' ability to maintain the site during less busy months.



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## Results

With an initial investment of \$4,930 the business generated a net benefit of \$12,508 in the first year. The additional revenue generated from e-commerce was \$20,000 and the cost savings achieved were \$2,760. The sales revenue increased to \$35,000 in the second year while the ongoing costs remained constant. Since the costs of hardware and web-development are non-recurring in nature, the operating benefit from e-commerce of \$32,438 in the second year directly contributed to the bottom-line of the business.

The cost savings consisted largely of reduced advertising costs. Before the website was developed, Chris used to spend \$5,000 in print advertising. Now he spends only \$3,000 in advertising, because of the website's advertising function. Other cost savings are made up of a reduction in administrative costs by using online banking and a decrease in international and interstate calls and faxes.

Chris spends half an hour each day answering emails from customers. Estimating the value of Chris's time at \$30 an hour, the value of the time spent answering emails is about \$3,900 each year. The other ongoing costs are related to time spent by Chris in the maintenance and update of the website (\$1,040), fees paid to Internet service providers and web hosting costs which amount to \$382 per year.

## Future

Encouraged by the success of his e-commerce initiative, Chris is planning to use the website as a channel for selling fishing products. He is currently in the process of developing a collection of fishing flies, which he wants to sell directly to customers through the website. He believes that online sales will enable him to generate larger margins because the channel will not require intermediaries and his customer base will be global.



	1999 Actual \$	2000 Forecast \$
<b>Gross profit from e-commerce</b>	<b>20,000</b>	<b>35,000</b>
<u>Add: E-commerce cost savings</u>		
Telephony	400	400
Printing and advertising	2,000	2,000
Online banking	360	360
<b>Total e-commerce cost savings</b>	<b>2,760</b>	<b>2,760</b>
<b>Gross benefit from e-commerce</b>	<b>22,760</b>	<b>37,760</b>
<u>Less: Ongoing e-commerce costs</u>		
ISP	(250)	(250)
Website hosting	(132)	(132)
E-mail time (non-cash)	(3,900)	(3,900)
Website maintenance(non-cash)	(1,040)	(1,040)
<b>Total ongoing e-commerce costs</b>	<b>(5,322)</b>	<b>(5,322)</b>
<b>Operating benefit from e-commerce</b>	<b>17,438</b>	<b>32,438</b>
<u>Less: E-commerce establishment costs</u>		
Software	(250)	-
Hardware	(4,500)	-
Internet domain name registration	(180)	-
<b>Total e-commerce establishment costs</b>	<b>4,930</b>	<b>-</b>
<b>Net benefit from e-commerce</b>	<b>12,508</b>	<b>32,438</b>

For further information on this case study please go to [www.noie.gov.au](http://www.noie.gov.au)