

barconnections.com

www.barconnections.com.au

May 2002

Bar Connections is an on-line retailer of primarily Australian licensed merchandise. This includes shirts, caps, bar mats, stubby coolers and bar accessories. The on-line shop, also wholesales some of the merchandise to US shops. barconnections.com began on-line trading in 1995. The brick and mortar business, originally started in 1992.

Bar Connections has been operating in Sunshine Plaza, on the Sunshine Coast, for 8 years. The shop was recently sold as a separate business. A second shop, called Moose's of Mooloolaba, opened in Mooloolaba in 1999. Internet sales are processed from the Mooloolaba shop. The business employs 4 staff, which includes the owners.

We talked to Roger Bauche, partner, located on the Sunshine Coast, Queensland

Who are your customers?

Our Web customers are people seeking Aussie beer gear and licensed products. Two thirds of our customers are from the US. One fifth are from Europe, mostly from the UK and Germany. The others are Australian. That group has grown from less than 5% to close to 20%. In the shop, customers are mostly Australian tourists.

When we first ventured into on-line sales the Australian response was very small. The media painted a very black picture about the security of on-line transactions. It has only been in the last couple of years that Australians have started to shake off their insecurity about Internet transactions. Even then, there is still a lot of apprehension.

Do you have an established customer base?

The products we have are high on the want list for the drinking fraternity. Over the years, we've collected some very loyal customers.

Are you trying to attract new customers?

On going. There are a number of people interested in this type of product. We have tried various ad programs, but we have found that links to related sites and pay-per-click search engines, namely goto.com (now Overture) have been the most effective.

We've also attracted a new market from listing on EBay. It was easy to target our niche market through that venue.

How will they benefit from your products?

Our products are not for everyone. This is a niche market. Our products are like treasures for interested customers.

Who are your competitors?

Other shops that sell similar types of products.

How have you been successful?

We started small and adapted to the market demand, growing within the revenue generated. We managed our risks. We enrolled in a number of on-line small business discussion groups and e-zines.

How do you use digital technology in your business?

We make some use of mobile telephones. We have a Rex digital palm reader for our supplier and contact list. This unit interfaces with the computer in the PCMCIA port. Our business is computer driven using Microsoft Windows. In addition we have Lotus Suite, Microsoft Office, OpenOffice, PhotoShop as well as a variety of peripheral software including inventory stock control management software.

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All our office computers are networked. We use Attaché for the accounting system. We have a number of banks, both locally and overseas, which we use to transact on-line. We receive on-line payments from customers in all accounts. We pay some suppliers on-line from a domestic account.

We use EFTPOS for processing orders, which will be eventually replaced by on-line real time processing. We are connected to the Internet by ADSL at the office and modem at the shop. We moved to broadband for speed, on-line real time and network facility. We link between office and shop using PCAnywhere.

We make extensive use of e-mail every day with customers, suppliers, contacts and employees. We have VOIP (Voice Over Internet Protocol) facility but seldom is it required. We have fax machines at the office and shop. We use scanners in our business as we need to. We have a Nikon Coolpix digital camera, used mainly for pictures of products for the site.

Do you use a regular e-mail newsletter?

E-mail newsletter is sent out monthly to all contacts on our database, which has grown dramatically in the last few years. The database is invaluable. Every newsletter generates a number of orders.

Have you ever had problems with viruses?

Yes. About 5 years ago a Melissa type virus created problems with Word software. We've been cautious since that time, with anti-virus software. We still receive viruses, weekly, if not daily, which are detected by the anti-virus software.

What measures do you take?

We use Norton Anti-Virus, which is automatically upgraded weekly, plus anytime that we are advised to update our definitions, which lately, is once a week.

How often do you back up your files?

Some critical files are updated daily or weekly, depending on use. Other backups are done as required. We have CD burners on two of our computers and we can back up data to the other hard drives via the network.

Do you have or are you connected to an Intranet?

No.

Do you use an Extranet?

No.

What is your Web site for?

To sell products, promote and expand our business.

Is this a development of your existing business or a new venture?

It was an extension of the brick and mortar shop, which has since been sold. The Web site is now a stand-alone business, with a new logo and new identity.

If it is a development, how is it supposed to help?

As a stand-alone business, it generates income. Customers can contact us by e-mail, fax or phone.

Do you have an on-line audience?

From daily orders, I would say so. We also receive queries daily, through the contact us feature on the site.

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Do you host internally or externally?

Externally, on a US ISP.

Do you allow transactions on your site?

Yes, on a secure server. When we first decided to investigate on-line trading we realised that it was necessary to allow on-line financial transactions. Initially we had no shopping trolley but people could order on-line and fax their payment details.

Local on-line secure transaction costs were estimated in the order of \$10,000 if we wanted to proceed with full on-line transactions. This was too expensive so we settled on a US host that supplied a shopping trolley system and 128 bit encryption software for secure on-line transactions at \$US360 per year. We are paying US\$9.95/mth for hosting and a secure ticket.

Do you collect information with forms/surveys?

Yes. From orders, Web contact, opt in lists, referrals.

How do you update the content of your site?

Through the database management system, developed by our Web designer we have been able to update the products and pictures ourselves since mid 2001. It was a difficult logistic exercise to update the site prior to this, as we had to depend upon an external consultant.

How do you promote your site?

Search engines; pay per click sites, such as goto.com, links to related sites, shopping malls, listing URL in joint programs, opt in programs with advertising e-businesses, ads with publications in the trade, URL on letterhead, business cards and promotional material.

For example goto.com, which is now www.overture.com is a pay-for performance site. We pay 1 cent US for anyone who selects, Victoria Bitters, Fosters, Guinness, Jim Beam. with goto.com and those directed by it's affiliation with MSN, Yahoo, InfoSpace, Altavista, Netscape. This type of service helps us achieve over 1,000 customers per month coming to our site. The cost to select new words has now risen to 5 cents US per hit but it is still good value if you select the right words.

How much does it cost to promote your site?

We spend a few thousand per year, which is minimal as a percentage of sales.

Do you ask customers how to improve your site?

There is an ongoing feedback with customers on our e-mail list and people who contact us through the site.

What was the impact of transaction processing on your site?

Having the on-line secure processing facility is the major factor for the volume of sales.

How much do you pay per transaction?

EFTPOS fees of 2% for Visa, Mastercard and Bankcard, 3.1% with Amex.

Do you have an existing customer database?

Yes, collected since inception.

Does your Web site capture new customer information?

Yes. The customer information and details plus the products ordered are captured electronically.

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Are customers concerned about security for credit cards?

People with any savvy can verify that the server is secure. There is still some concern with a number of people. We contact these people by phone or arrange alternate payment methods.

How do you deal with this concern?

Our procedures are explained on the site. We identify ourselves as to who we are, where we are, what we are about, the currency we are dealing it, shipping policies, security, privacy. In short, we display that we are a real business with an address. We include pictures of ourselves and the staff. We have a number of testimonials from customers on the site.

Does your site have a privacy policy?

Yes, it's part of our FAQ

What is the best way to get people to come to your site?

Search engines, links, promotion of our URL address, word of mouth and referrals.

What is the best way to get people to return to your site?

Service, price, delivery and performance.

What is the best way to get people to buy products and services?

Simple ordering procedure. Simple text and small picture for quick upload. Testimonials from customers. Identity that we are a real business, with a physical address and years of experience. Use the KISS principle.

How does your site generate revenue?

From the sale of products.

How many upgrades?

This is the fourth major upgrade of our site. Products are changed on a regular basis.

Did you write a project plan before you started?

We incorporated a project plan as part of our business plan for the bricks and mortar business, which we owned at the time. Financial budgets, for the site, were omitted, as the projections were too difficult to determine. It would be easier now. Our sales are doubling every year.

How much time did it take you to get up and running?

About 2 months.

Where did you go for advice?

In 1995, we were one of the first people to use an ISP and develop a site on the Sunshine Coast of Queensland. A local publishing house was developing sites which was our entry into the Web. Since then, we have changed Web designer twice. We regularly use sites such as www.isbc.com, which has about 1,000 members and provides very useful information for the small operator using the Internet in their business.

How did you know who to trust?

Local contacts, gut feel.

Did you do the work yourself or use outside contractors?

Initially, we used outside contractors. We now do the maintenance work ourselves. Our Web designer maintains the structure of the site.

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Were you happy with the work and help given?

At the time, we were pioneers. By entering the field at that time, we made major strides. We've been happy with each step of the way. Each step has been a stride forward.

How much did it cost you?

We initially had the Web site developed for \$1,300. Each revision has cost us around \$2,500. Cost of our ISP in the US, for Web storage and the secure ticket, cost, initially US\$360/yr. We can now get our requirements for US\$120/yr.

What mistakes did you make that you wish you hadn't?

We got caught with some credit card fraud.

What were the main risks you took?

Shipping goods to countries where the postal service is not fully reliable.

What advice would you give someone else?

If you are going to accept credit cards payments on your site, work with your bank's fraud department to limit your risks. Possibly take similar steps, as we have taken by limiting the countries where you will transact. The restriction is done through the selection of country codes in the orders file. We deal with 64 countries out of 244 potential country codes.

What were the barriers within your business to your digital project?

The ability to readily find people with the information that we are seeking. In many cases, you have to take the time to research it yourself.

Did everyone in your business support the enterprise?

Initially, there was scepticism, that this could be a profitable business.

How did you overcome concern?

Starting small and building the site with the growth in orders.

Do you know what technology is used in your company?

Yes. The partners were previously involved with corporate systems.

Do you understand what it does?

Yes. Many of the systems we developed ourselves.

Where can people find useful advice about the subject?

There's a number of groups on the net who share ideas, problems, marketing strategies. It's good to sign up with a few e-zines. Seek out local help with people who specialise in the field. Attend seminars on the subject.

How did you decide which technology to use?

Through research, referrals and contacts.

Are the key managers up to speed with digital technology?

Yes. It's a continuous learning curve.

What are the business benefits you are hoping for?

Sales from the Internet site to provide an income greater than what the brick and mortar shop was providing, without the overheads.

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Are any of these benefits quantifiable?

They certainly are.

Are customers happy with what you have done for them?

We have exceptional feedback from our customers.

Are staff happy with what you have done?

Yes. For many, it has given them an ability to learn a new technology.

What is the most important thing you've learned in the last year?

The technology is now available locally, at a reasonable cost, i.e. ADSL facilities, networking, fax duet, etc

Given what you know... would you do it again?

Absolutely.

What are you planning to do next?

Establish two sites, one for international customers in USD with facilities in the US and a second site in AUD. Though the US site will sell in US dollars, we will still ship from Australia. We can now ship from Australia freight free to the customer overseas as we have a special international postage rate with Australia Post for our Web sales. The new Australian site will be www.moose.com.au.