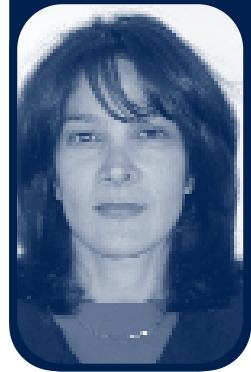


# Advancing with e-Business

**Eatfresh.com.au**

[www.eatfresh.com.au](http://www.eatfresh.com.au)



Jackie Steedman



## The Business

Jacqueline Steedman established Eatfresh in 1998 as an Internet based grocery and fresh produce retailer. The company provides high quality fresh fruit and vegetables to consumers in Melbourne and Sydney. Eatfresh is based in Melbourne, Victoria and currently employs five full-time and four part-time staff.



## The Idea

Eatfresh was established as a result of Jackie's desire to cater to the needs of busy working Australians who had very little time to go to the market themselves for fresh fruit and vegetables. The Internet was viewed as the ideal medium to provide a convenient ordering mechanism for customers whilst maintaining low establishment and overhead costs.



## Online Sales

The business to consumer (B2C) selling of retail goods over the Internet to consumers is known as e-retailing. Eatfresh established itself as an e-tailer to take advantage of the significant cost savings that could be achieved by avoiding the establishment expenses associated with land, building and inventory costs. The company estimates e-commerce has provided an opportunity saving of \$300,000 by negating the need for a physical shopfront. Eatfresh maintain an online catalogue of every item available for sale including a description, quality of produce available, price and quantity. The traditional shopping experience is simulated as customers can browse through the catalogue and add selected items to their shopping cart. Upon completion of product selection, customers proceed to the online checkout where they enter their billing and delivery details. These are then electronically submitted to Eatfresh using a secure connection.

At midnight of each day, a batch process collates the orders from the Internet and imports the details into the purchase order and sales analysis software. This software then produces a report detailing the orders, which is then sent to the team at the market and the warehouse to fulfil the orders. The software also produces a packing and delivery slip for each order, a summary sheet for the entire batch and account reports for wholesalers.



## The Investment

Eatfresh invested \$59,300 in the e-retail system. The majority of this figure was incurred in website development (\$22,500), and database integration (\$20,000). Registration of domain names incurred \$800. Before implementation, \$5,000 was spent on researching into suitable web technologies. A further \$5,000 was invested in offline advertising to assist in launching the business and \$1,000 was spent on staff training to ensure maximum utility of the new system.



## Hurdles

Eatfresh initially found it difficult to locate a web developer that could appreciate the significant impact on the success of the business that the Information Technology (IT) strategy could have. Following a significant amount of preliminary research, Eatfresh eventually enlisted the help of Telstra to locate a suitable developer and has since developed partnerships with experienced IT consultants.



## Results

Eatfresh believes that a traditional grocery and fresh produce retailing company could boost their annual revenue by \$200,000-\$300,000 by adding an online storefront to their existing operations. Additionally Eatfresh estimates significant cost savings through the utilisation of e-commerce in their business resulting in an overall net operating benefit of \$138,675 for 2001. Cost savings totalled \$204,100 in 2001. As Eatfresh buy produce on an as-needed basis, as opposed to stockpiling in a warehouse, the company now enjoy decreased levels of obsolete stock (\$40,000), warehousing expenditure (\$15,600) and inventory financing costs (\$1,500). In addition, by no longer requiring staff



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for face to face customer service, Eatfresh has saved \$40,000 in labour requirements. Automated processes have streamlined fulfilment operations resulting in reduced after sales service costs (\$30,000), travel requirements (\$7,000) and incidences of administrative error (\$6,000). Expense reductions from other web-enabled functions included banking (\$1,600), payroll (\$10,400), marketing (\$10,000), communications (\$30,000) and hardware (\$5,000). Ongoing costs totalled \$65,425 in 2001. Most costs were associated with maintaining the online infrastructure including ISP (Internet Service Provider) fees (\$3,000), website hosting fees (\$2,400), system maintenance (\$15,000) and telephony (\$8,000). Staff requirements for system administration and training amounted to \$5,000 and \$2,000 respectively. Bank transaction fees of \$10,000 and electronic payment system fees of \$1,000 were incurred. In addition, capital expenditure was amortised over a four year period (\$14,825).

The Eatfresh philosophy centres on customer satisfaction. The online storefront has provided the company with a means of meeting customer demand through streamlined fulfilment processes and efficient communication with customers and suppliers. Additionally, delivery times are ultimately shortened which further contributes to the mandate of delivering the freshest produce to customers. Use of customer relationship management (CRM) technology provides Eatfresh with a valuable business development tool. By providing a means of analysing customer demand and purchasing patterns, marketing campaigns can be directed to ensure the highest chance of success.

## Future

Eatfresh intends to increase the user friendliness of the current purchasing interface and increase the security of online transactions. Other plans include an online marketing strategy using banner advertising on other websites.

## Revenue and Costs

### E-commerce Establishment Costs

		(\$)
Web development	22,500	
Preliminary research	5,000	
Staff training	1,000	
Database integration	20,000	
Advertising - offline	5,000	
Domain name registration	800	
Hardware - computer	5,000	
<b>Total Establishment Costs</b>	<b>59,300</b>	

### Operating Benefit from E-commerce

		2001 (\$)
<b>Add: E-commerce Cost Savings</b>		
Postage and freight	1,000	
Stationery	1,000	
Staff time: error reduction	6,000	
Staff time: banking	600	
After sales service	30,000	
Bank charges	1,000	
Staff time: communication	30,000	
Stock obsolescence/damage	40,000	
Inventories - financing costs	1,500	
Travel	17,000	
Staff time: general administration	40,000	
Staff time: payroll	10,400	
Marketing	10,000	
Warehouse	15,600	
<b>Total E-commerce Cost Savings</b>		<b>204,100</b>
<b>Gross Benefit from E-commerce</b>		<b>204,100</b>
Less: Ongoing E-commerce Costs		
Amortisation of capital expenditure*	(14,825)	
Electronic payment systems	(1,000)	
Authentication services/security	(200)	
Bank charges	(10,000)	
Printing	(2,000)	
Financing costs	(2,000)	
Internet Service Providers	(3,000)	
Website hosting	(2,400)	
System maintenance	(15,000)	
Telephony	(8,000)	
Administration	(5,000)	
Training	(2,000)	
<b>Total Ongoing E-commerce Costs</b>		<b>(65,425)</b>
<b>Operating Benefit from E-commerce</b>		<b>138,675</b>

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

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

