

Advancing with e-Business

Concordia International Forwarding

www.concordiafreight.com

The business



Concordia International Forwarding (CIF) provides international import and export broking services for air and sea freight. It is a subsidiary of a 20-year-old American family-owned company that has been operating in Australia for 17 years. CIF is based at Brisbane Airport and employs 13 staff in Australia. The parent company has 150 staff worldwide.



Robert Rimes

The idea



CIF's implementation of e-commerce in 1999 was part of an industry-wide initiative for companies to implement specialist freight management software. Deliverance software, commonly used throughout the industry, was deployed by CIF. Robert Rimes, a broker with CIF, embraced the initiative and was instrumental in CIF's implementation of e-commerce. In addition to conforming to industry trends, Robert understood the potential time and cost savings to be achieved from automating paper-based procedures. Dial-up connection was originally used; although it was then determined that CIF would receive greater benefit from the installation of an Access IP-frame relay fibre optic Broadband connection.

Deliverance software enables the entering of client and freight details into a template that is delivered through email to the Custom's COMPILE system. Data entry is facilitated by the system avoiding the need to re-key the data and resulting in fewer administrative errors. If customs duties and taxes are payable, the COMPILE system automatically interacts with CIF to enable electronic payment. Clients pay COMPILE and Customs fees directly into the CIF account.

The CIF website is maintained by the American parent company. Freight can be tracked at any stage via the Concordia website using a quick track system or a detailed track system.

E-Government



In line with the Federal Government's commitment to put all appropriate Government services on line by 2001, the Customs Department has been active in encouraging the introduction of e-commerce by businesses. Freight businesses, such as CIF, were heavily reliant on paper manifests and correspondence to track freight, orders and shipping delivery cycles. Customs have encouraged businesses to adopt e-commerce with guidance to ensure information systems integrate appropriately. Guidance has also been provided on the more efficient electronic transaction methods that support shipping cycles.

The investment



Establishment costs totalled \$21,199. The majority of initial outlay was incurred in hardware and software investment. These included purchase of Deliverance software (\$7,155), server and computers (\$7,393) and printers (\$1,891). Training costs totalled \$4,760.

Hurdles



The costs have been a major challenge for CIF. Costs include establishment expenses for new hardware and software and also the government fees for the use of the Compile system that are paid by the client. Another obstacle has been ineffective communications between the software support company and staff regarding technical problems. This is currently being addressed.

e-Government



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Results

Cost savings of \$69,840 were achieved in 2001. Processes have been streamlined and productivity has increased. The savings in staff time in moving from a paper-based system resulted in enhanced staff productivity and efficiency. Time was saved in administration with the reduction of errors in data entry, fewer enquiries tracking freight movements and fewer telephone enquiries about the business. Research into business development opportunities and potential clients has been facilitated with Internet access. Additional business has also been generated by the firms presence on the Internet.

Ongoing costs of \$19,795 were incurred in 2001 with the most significant costs attributed to payment of license fees (\$6,720) for the Deliverance software. Disbursements for Telecommunications totalled \$5,685 covering the rental of two telephone lines, charges in calls to the previous Internet Service Provider (ISP), and ISP services.

Concordia expects further revenue growth and operating efficiencies to produce a strong return on their investment in e-commerce.

Future

CIF plans to move further away from manual systems with the implementation of online banking in the next two months. This will enable electronic payment of both staff and suppliers.

Revenue and Costs

| | (\$) |
|---|-----------------|
| E-commerce establishment costs | |
| Staff training and education | 4,760 |
| Software - Deliverance | 7,155 |
| Hardware - servers, computers | 7,393 |
| Hardware - printers | 1,891 |
| Total e-commerce establishment costs | 21,199 |
| | |
| Operational benefit from e-commerce | 2001 |
| | (\$) |
| Additional revenue from e-commerce | |
| Sales | 15,000 |
| Total additional revenue from e-commerce | 15,000 |
| <i>Less: Cost of sales</i> | (8,400) |
| Gross profit from e-commerce | 6,600 |
| <i>Add: E-commerce cost savings</i> | |
| E-commerce cost savings | |
| Photocopying | 240 |
| After sales service | 9,600 |
| General administration - staff productivity and reduction in errors | 45,000 |
| Staff time - email communication | 15,000 |
| Total e-commerce cost savings | 69,840 |
| Gross benefit from e-commerce | 76,440 |
| <i>Less: Ongoing e-commerce costs</i> | |
| Amortisation of capital expenditure | (5,300) |
| Internet Service Provider | (360) |
| System maintenance | (650) |
| Licence fees - Deliverance software | (6,720) |
| Training | (1,200) |
| Financing costs | (240) |
| Telephony - fixed -rental of 2 lines | (525) |
| Telephony - variable - calls into ISP | (4,800) |
| Total ongoing e-commerce costs | (19,795) |
| Operating benefit from e-commerce | 56,645 |

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