

Advancing with e-commerce

Animal & Odd Bod Creators Pty Ltd

www.oddbod.com.au



The business

Animal and Odd Bod Creators Pty Ltd (AOB) makes and sells animal costumes and mascots and is based at the Basin in the outskirts of Melbourne, Victoria. AOB was established 27 years ago. Their mascots are used for activities such as product and brand promotions at sporting and trade events. The company's administration manager, Karen Hoogenbosch led the team responsible for e-commerce at the company.



The idea

The increasing number of customer requests for e-mail communication led AOB to investigate the business opportunities available through the Internet. At the beginning of the initiative, the company's management team knew little about e-commerce.

AOB looked at a range of websites to get an idea of what to include and what could be offered via the web. Their research found that none of their Australian competitors had an Internet presence and this also encouraged AOB to adopt e-commerce. After seeking some advice from business acquaintances AOB's management team interviewed several web developers.



The investment

The costs for developing and designing the website were \$2,000 with a simple design chosen. To maximise its return on investment, AOB invested another \$2,000 in time for planning and learning about the application of the Internet in their business processes. The business invested another \$600 for the registration of their Internet domain name.



Hurdles

AOB's lack of e-commerce knowledge has made it difficult for the company to control the ongoing maintenance of their website. Although their web developer provided them with software to allow them to update the website in-house, the team's lack of technical skills makes this task difficult. Despite this hurdle, outsourcing the on-going maintenance is likely to be an inexpensive way of overcoming this problem.



Results

AOB generated a gross profit of \$24,500 from e-commerce in the Year 2000. This included sales to overseas customers that found the company through its website. Ongoing costs associated with e-commerce amounted to \$1,338 in 2000.



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The value of the time of the staff has been estimated as \$25 per hour in the calculation of the cost savings obtained from e-commerce. The staff members of AOB use e-mail to communicate with their customers as well as for debt collection purposes. It is estimated the use of e-mail saves AOB about 10 hours per week in time spent by staff rather than using the telephone which translates to a cost saving of \$13,000 per year. Conducting banking activities such as transfer of balances across accounts, payroll administration, bill pay online allows staff to save at least an hour each week that translates to a cost saving of about \$1,300.



The costs associated with the development and design of the website were only \$2,000 as a very simple design was chosen. In order to get the optimum returns from their investment AOB invested another \$2000 in time for planning and learning about the application of the Internet in their business processes. There have been no costs associated with the maintenance of the website because the company has not yet felt the need for an update but \$1,000 for maintenance has been forecasted for 2001.

With a relatively modest initial investment of \$4,600, the business was successful in generating a net benefit of about \$32,862 from e-commerce in the 2000. Since the initial costs of web development and staff training are of a non-recurring nature, the gross operating benefit generated for subsequent years should contribute significantly to the business's profitability.

Future

Based on the trend in growth in the past year it is estimated the additional revenue (after costs) from e-commerce will increase in the next year to \$28,000. AOB plans to update its website and further web development costs are expected to total \$2,000 and ongoing maintenance to total \$1,000. Assuming cost savings are constant for the next year it is estimated that the net benefit to AOB from e-commerce will rise to \$37,962 in 2001.



AOB is encouraged by the benefits of adopting e-commerce and plans to develop its website further to allow online ordering. This will allow AOB to achieve further cost savings through direct online payments to the bank and should help the company reduce trade debtors and improve business cash flow.

	2000 Actual \$	2001 Forecast \$
Gross profit from e-commerce	24,500	28,000
<u>Add: E-commerce cost savings</u>		
Time saved sending e-mails to clients	13,000	13,000
Time saved using online banking	1,300	1,300
Total e-commerce cost savings	14,300	14,300
Gross benefit from e-commerce	38,800	42,300
<u>Less: Ongoing e-commerce costs</u>		
ISP and website hosting	(738)	(738)
Web maintenance	-	(1,000)
Telephony	(600)	(600)
Total ongoing e-commerce costs	(1,338)	(2,338)
Operating benefit from e-commerce	37,462	39,962
<u>Less: E-commerce establishment costs</u>		
Web development	(2,000)	(2,000)
Staff establishment & training time	(2,000)	-
Multiple Internet domain name registrations	(600)	-
Total e-commerce establishment costs	(4,600)	(2,000)
Net benefit from e-commerce	32,862	37,962

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