

Advancing with e-commerce

Freedom Pools Pty Ltd

www.freedompools.com.au



Maxine Dale

The business

Freedom Pools (Freedom) is a pools and spa business, based in West Gosford, NSW. The company is owned and operated by Harry Comminos and Maxine Dale, who went into partnership five years ago, and employs six additional staff.

Freedom's services range from pool design and construction, through to landscaping and ongoing maintenance. The company's pool shop sells a wide selection of chemicals, pumps and filters, pool cleaners, accessories and toys.



The idea

In 1997, Maxine began to devote time to Freedom's e-commerce initiatives, after receiving her son's encouragement. There are now three main objectives to Freedom's e-commerce strategy: marketing, increasing the efficiency of office administration and providing further information to customers.



The investment

The company's initial investment was \$3,480, with most costs (\$3,000) incurred in establishing the website. Further nominal costs were associated with setting up e-commerce capability, including registering the domain name (\$180) and purchasing additional hardware (\$300). The business already had multipurpose computers used for accounting and word processing, so only limited new equipment was required for e-commerce activity.

In 2000, ongoing costs associated with e-commerce were log-on costs (\$156, or three per day at 20c), Internet service provider fees (\$420, or \$35 per month), and website hosting (\$2,400, or \$200 per month).



Hurdles

Maxine believes the key challenge to implementing Freedom's initiatives was the lack of technological knowledge within the company. This issue was overcome by using the expertise of an external web developer.

Maxine also found that her customers and suppliers in rural/regional areas were slower to adopt e-commerce than those in the cities. However, this issue is expected to diminish over time, as more people use the Internet in regional areas.



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Results

In 2000, a net cash benefit of \$81,344 was generated by the company's e-commerce initiative. This figure is expected to grow in future years, with \$86,384 projected for 2001, particularly as increased use of e-mail will boost cost savings.

Online banking, payroll and bill payments are estimated to save Maxine two hours a week, saving the company \$6,240 each year (Maxine's hourly cost is \$60). Performing banking online saves time through faster access to information and ease of reconciliations. E-mail communications save time, as faxes are no longer used and telephone calls are minimised. In 2000, this time saving was estimated at half an hour per week, saving \$1,560 for the year at Maxine's hourly rate.

In three years, e-commerce generated sales (online sales or website influenced sales) have increased to ten per cent of total revenue. Sales have increased as Freedom Pools is now marketed to a greater audience through the website. This trend is expected to continue as more customers move online, with \$80,000 in e-commerce gross profit conservatively estimated in 2001.

Other benefits have also been derived from e-commerce, including increased customer satisfaction, resulting from increased quality of service and additional service lines offered.

Future

In the near future, Maxine plans to make the retail site fully operational by selling pool care products online and expects this will increase sales. Once the internal IT systems are upgraded, providing office staff with access to e-mail and the Internet, future cost savings are also anticipated.

	2000 Actual \$	2001 Forecast \$
Additional revenue from e-commerce	400,000	400,000
<u>Less: Cost of goods sold</u>	320,000	320,000
Gross profit from e-commerce	80,000	80,000
<u>Add: E-commerce cost savings</u>		
Banking and payroll time saving	6,240	6,240
E-mail correspondence time saving	1,560	3,120
Total e-commerce cost savings	7,800	9,360
Gross benefit from e-commerce	87,800	89,360
<u>Less: Ongoing e-commerce costs</u>		
ISP	(420)	(420)
Website hosting	(2,400)	(2,400)
Telephony	(156)	(156)
Total ongoing e-commerce costs	(2,976)	(2,976)
Operating benefit from e-commerce	84,824	86,384
<u>Less: E-commerce establishment costs (from 1997)</u>		-
Web development	(3,000)	-
Internet domain name registration	(180)	-
Hardware (modem)	(300)	-
Total e-commerce establishment costs	(3,480)	-
Net benefit from e-commerce	81,344	86,384

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