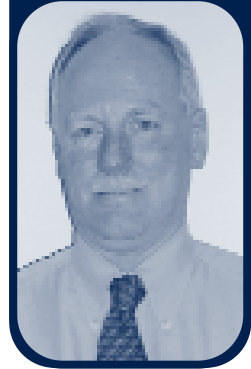


Advancing with e-Business

ITW Buildex

www.itwbuildex.com



Frank McKee

Advanced e-Business



The Business

Established in 1917 (as W.A. Deutscher Pty Ltd), ITW Buildex is a leading manufacturer and supplier of self-drilling screws. The company provides screws and rivets to the construction industry, with a specialist focus on the plumbing and roofing sectors. Based in Moorabbin, Victoria, ITW Buildex employs 216 full time staff.



The Idea

ITW Buildex first implemented e-commerce several years ago through the use of basic Electronic Data Interchange (EDI) to correspond with customers and suppliers. Frank McKee, IT Manager, initiated the installation of an Enterprise Resources Planning (ERP) system in 1999 to manage the financial, marketing and distribution units within the business. More recently, an automated EDI ordering process has been implemented to meet customer demand for a more streamlined process of submitting orders.

Besides the ERP system, many of the company's other administrative functions are also electronically managed. This includes payroll, international transfers and payments to suppliers. In addition, staff access an intranet for internal communications and to retrieve databases and templates.



E-Procurement

E-procurement is the procurement of products and services over the Internet between businesses. ITW Buildex participate in an online marketplace and industry portal called Timber and Hardware Exchange developed by Pacific Commerce.

The exchange uses an electronic cataloguing system designed specifically for the retail hardware and building industry. This allows retail storeowners and other users to access over 80,000 products contained in the online catalogue. Customers can access company information, product and pricing details. They can also perform advanced searches based on product code, supplier, brand, and industry standard product categories. Updated pricing, data sheets, safety sheets, images and application guides can be downloaded to the customer's system reducing the need for manual data entry and errors.

In addition, the service also offers electronic document delivery (order, invoice, etc.) where ITW Buildex can receive documents electronically and translate data from the various system formats used by different trading partners into a suitable format for direct upload to their inventory management system.



The Investment

The establishment costs associated with the entire e-commerce system (incorporating the EDI, ERP system and Exchange) totalled \$79,190. Frank invested \$5,000 of his time in preliminary research before hiring external consultants (\$20,000) and web developers (\$15,000) to implement the system. Additional computers required incurred \$8,000 and a backup system for disaster recovery was \$4,000 for the hardware and \$5,500 for the software. The EDI mailbox software incurred \$10,000 and a further \$5,000 was invested in staff training.



Hurdles

Having decided to implement an automated ordering system, the company discovered that the business service provider of the original ERP system could not offer a suitably advanced ordering module for the company's purposes. In addition, as many customers submitted orders in differing formats, it was important the e-commerce solution could accommodate for these disparities.

This problem was overcome with ITW Buildex developing customised software that would enable the automatic upload of orders. The ERP provider has since developed more sophisticated software which ITW Buildex is considering for future implementation.



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Results

In 2001, ITW Buildex attributes \$500,000 of revenue to e-commerce, which contributed \$200,000 to gross profit. ITW Buildex believes this is partially due to customers who were encouraged by the simplified ordering process and convenient access to product information.

Cost savings totalled \$138,900 in 2001. The majority of this figure was achieved in improved staff efficiency in processing sales, finance and distribution transactions. Staff time was saved in after sales service (\$96,000), payroll (\$24,000) and in reduced administrative errors (\$1,600). Use of email and EDI as the main form of communication between the company, suppliers and customers has reduced the volume of paperwork, reducing postage (\$1,500) and photocopying costs (\$200).

Ongoing costs totalled \$65,658 in 2001. Most costs were associated with support of the online system including system maintenance (\$4,000), software licence fees (\$1,500) and staff time spent in co-ordinating the EDI process (\$30,000). Use of online banking incurs electronic payment system fees of \$360 and bank fees of \$100. In addition, capital expenditure was amortised over a four-year period (\$19,798).

Implementation of the automatic ordering process has been well received by customers. In particular, large retail groups appreciate the more streamlined process of submitting orders. For ITW Buildex, the new ordering system has been successful in meeting customer demand and has ensured the company retains its major customers and a competitive position within the industry.

Future

The company intends to expand the e-commerce solution in the future to include automation of purchasing by ITW Buildex. This would result in a fully automated supply chain from the receipt of customer orders through to the submission of purchase orders from the company.

Revenue and Costs

E-commerce Establishment Costs		(\$)
Web development	15,000	
Registration of domain name	190	
Preliminary research	5,000	
Staff training	5,000	
Telecommunications	5,000	
Consultants	20,000	
Software - banking	500	
Software - EDI mailbox	10,000	
Software - backup	5,500	
Software - customer specific	1,000	
Hardware - backup drive and tapes	4,000	
Hardware - computers	8,000	
Total Establishment Costs	79,190	
Operating Benefit from E-commerce		2001
		(\$)
Revenue from E-commerce		500,000
<i>Less: Direct Costs</i>	(300,000)	
Gross Profit from E-commerce		200,000
<i>Add: E-commerce Cost Savings</i>		
Postage and freight	1,500	
Photocopying	200	
Staff time: administration errors	1,600	
Staff time: banking	1,600	
Staff time: after sales service and communication time	96,000	
Bank charges	1,500	
Travel	12,500	
Staff time: payroll	24,000	
Total E-commerce Cost Savings	138,900	
Gross Benefit from E-commerce		338,900
<i>Less: Ongoing E-commerce Costs</i>		
Amortisation of capital expenditure*	(19,798)	
Electronic payment system	(360)	
Bank charges	(100)	
Internet service provider - incl. Telecommunications	(8,400)	
System maintenance	(4,000)	
Licence fees	(1,500)	
Training	(1,500)	
Staff - EDI coordination	(30,000)	
Total Ongoing E-commerce Costs	(65,658)	
Operating Benefit from E-commerce		273,243

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

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