

# Hanging Rock Winery [www.hangingrock.com.au](http://www.hangingrock.com.au)

## Case Study 7 of 20 Broadband Using Satellite Industry: Viticulture

### >> THE BUSINESS

Hanging Rock Winery processes grapes of its own and third party vineyards to produce approximately 50,000 cases per year of a range of 20 wines. It is situated in picturesque Newham in the Macedon Ranges and employs 18 full time staff.



### >> WHAT WAS INITIATED?

Hanging Rock Winery's main online initiatives involved the introduction of broadband connectivity and its eCommerce enabled website.

#### **What is Broadband?**

*Broadband means a high-speed Internet connection that is, at the very least, at least 128kbps, almost three times the speed of a narrowband 56kbps dial-up connection. Most broadband services are available at speeds of 256kbps, 512kbps, 1500kbps and even faster.*

As the winery is located in a relatively remote location, the implementation of a fast internet connection required the installation of a satellite broadband system which was provided by Telstra in 2002.

Hanging Rock also proved to be something of a pioneer in its category by establishing an initial website back in 1995, before implementing its current content managed website in 2000 and secure eCommerce facility in 2002. In addition to an ordering /purchasing facility, the website also provides comprehensive information on the winery and its product including extensive Tasting Notes.

*"Due to our remote location and costs associated with getting more phone lines in, we opted for satellite technology which has been very successful. It's locked down our costs and stabilized our communications while allowing us to update our website remotely.*

**Henry Screen, Marketing Manager**

### >> HOW THE TECHNOLOGY WORKS

Australia's small population and large land mass makes the installation of land-based network infrastructure such as the cable and copper wire networks common to metropolitan areas untenable in some regional areas. However, satellites provide an alternative means of vital broadband capabilities to business and hard-to-reach homes in regional areas.

Hanging Rock Winery's satellite-enabled broadband connectivity allows staff to communicate quickly and conveniently via email and to upload new content to their website's Content Management System without lengthy delays.

Hanging Rock's website technology revolves around two key systems:

1. a Content Management System (CMS) which allows staff without technical expertise to modify content on the website and;
2. a secure eCommerce facility made possible by content managed 'shopping cart' software connected to a secure server via a 128bit Secure Socket Layer (SSL). This level of security allows online shoppers to safely provide credit card details when buying.

### >> RESULTS

The establishment of Hanging Rock Winery's broadband network via satellite has led to significant savings in traditional communications expenditure. Total expense reductions are estimated to be \$9,100 with a further \$15,000 in net sales. However, the introduction of the system also helps reduce the 'tyranny of distance' the winery's relative remoteness can create by providing 'always on' communications.

The website has also been instrumental in creating new export markets by generating incoming wholesale queries from overseas. This overseas interest is reflected in website hosting statistics which show that at least 45 per cent of site visits are from overseas.

Overall, Hanging Rock Winery has achieved a \$17,167 benefit from eCommerce.

## >> COSTS

Total eCommerce costs amounted to \$6,933. The costs of implementing both the networking and website capabilities is surprisingly low given that satellite technology had to be established. Once amortisation was factored in, the network establishment cost less than \$2,000 per annum, while the website and subsequent hosting and software cost less than \$3,000 per year.

## >> CHALLENGES AND PROCESS CHANGE

Hanging Rock Winery reported a smooth implementation of both of its broadband and website systems due to the Marketing Manager's familiarity with graphics and image manipulation software. A website design course also assisted in creating the firm's first website.

One of the challenges has been keeping the website up to date – a problem that increases as more content is added. However, the tradeoff is the increased sales, brand awareness and relationship building the website provides.

## >> FUTURE PLANS

Hanging Rock Winery's next online foray involves improving its email marketing activities which is expected to reduce postage and printing costs of its physical newsletter while taking advantage of email's viral marketing effects. It is currently investigating a range of email marketing solutions to do this. It is also looking at online advertising options such as 'pay per click' advertising on major search engine sites.

## >> REFERENCE WEBSITES

[www.telstra.com.au](http://www.telstra.com.au)  
[www.mediaust.com.au](http://www.mediaust.com.au)

## >> REFERENCE eNOTES

eNote 1: Setting up on the Internet  
eNote 19: Telecommunications  
eNote 20: Regional eNotes

For further information go to: [www.mmv.vic.gov.au/casestudies](http://www.mmv.vic.gov.au/casestudies)

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## >> E-COMMERCE PROFIT & LOSS ANALYSIS

	2003
<b>Additional Revenue from eCommerce</b>	\$
Increased sales directly via the Internet	10,000
Increased sales indirectly via the Internet	<u>20,000</u>
<b>Total Increased Revenue</b>	<b><u>30,000</u></b>
<b>Less: Cost of Goods Sold</b>	<b><u>15,000</u></b>
<b>Net Profit for eCommerce</b>	<b><u>15,000</u></b>
<b>Add: E-Commerce Expense Reductions</b>	
Reduced telephone bills	1,000
Reduced postage, freight, couriers and handling	1,000
Reduced paper and printer cartridges	200
Reduced banking, insurance and superannuation costs	200
Reduced staff costs in lodging tax forms	200
Reduced time travelling to bank cheques	500
Reduced costs for staff out of office to retrieve information	500
Reduced staff costs to travel to banks	500
Reduced customer services costs	<u>5,000</u>
<b>Total eCommerce Expense Reductions</b>	<b><u>9,100</u></b>
<b>Gross Benefit from eCommerce</b>	<b><u>24,100</u></b>
<b>Less: Up Front Fixed Expenses</b>	
Computer hardware including Modem	1,500
Computer software	200
Website and Content management systems	2,000
Network, intranet and extranet systems*	333
Anti-virus and Security software	200
Staff Training on technical systems	<u>500</u>
<b>Total eCommerce Up Front Fixed Expenses</b>	<b><u>4,733</u></b>
<b>Less: Operational Expenses</b>	
Internet Service Provider	2,000
Hosting of Website	200
Permission Email marketing	<u>200</u>
<b>Total eCommerce Operational Expenses</b>	<b><u>2,200</u></b>
<b>Total eCommerce Costs</b>	<b><u>6,933</u></b>
<b>Total eCommerce Benefit</b>	<b><u>17,167</u></b>

\* Amortised over four years

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