

Case Study 19 of 20 Supply Chain Management Industry: Property/Hospitality

>> THE BUSINESS

Based in Shepparton Victoria, Sundowner Motor Inns owns and franchises 24 large motels throughout rural Australia. There are 16 employees in the Shepparton head office, located in Northern Victoria.

Largely servicing a corporate clientele, Sundowner Motor Inns also provides and manages conference and function facilities.



>> WHAT WAS INITIATED?

Sundowner Motor Inns initiated a new customer supply chain system to automate the management of room inventory. Software was developed to enable two existing systems to 'talk' to each other: 1. the online booking system and 2. the offline property management system (PMS).

The technology gave motel managers based around the country direct access to the Sundowner Motor Inns website to change room rates and display promotions according to market demand. Previously, pricing was controlled from one central location and would only display standard motel rates. Additionally, managers had to manually update the number of rooms they had available on an hourly basis.

What is Online Supply Chain Management?

Refers to an old system that has been updated with new technology to better link the supplier inventory to customer demand. It more effectively monitors and manages surplus stock and keeps the supplier aware of how well the product is selling.

"For an online supply chain management system, I highly recommend research and development accompanied with a testing phase. This test period will allow a smoother integration with existing systems when it is time to rollout the technology across the business".

Grant Clonan, Chief Financial Officer

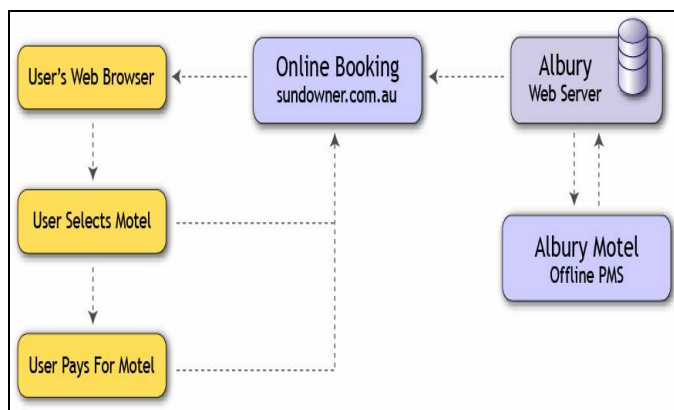
With the new online supply chain system, customers can take advantage of pricing specials, make online bookings that confirm their reservation in real time. In real time, the offline property management system (PMS) automatically updates the room inventory.

For Sundowner Motor Inns, the decision to streamline the supply chain was part of a longer-term plan to gain market share. The technology investment provides an attractive package to franchisees with its superior service delivery capabilities, and provides customers with a real alternative to online accommodation booking portals such as www.wotif.com.

HOW THE TECHNOLOGY WORKS

As detailed in the following diagram:

1. Customers make a room booking or enquiry over the Internet
2. They are connected to a Web server, and the offline property management system (PMS) provides graphic files, pricing and room availability information
3. In real time, the customer reviews room details
4. The customer confirms the reservation by submitting their credit card details via the secure web page
5. Upon confirmation of the reservation, the offline property management system (PMS) is automatically updated.



>> RESULTS

Since implementing the technology in a staged early rollout, Sundowner Motor Inns has achieved internal bookings of \$43,000 and an additional \$18,000 in expense reductions.

With gross eCommerce benefits amounting to \$61,000 and online sales forecasted to grow at 35 per cent, Sundowner Motor Inns is expected to break even in December 2004 with a healthy return on investment.

>> COSTS

The majority of Sundowner Motor Inn's upfront expenses were incurred in developing the software to integrate the online and offline systems \$80,000 and an additional \$40,000 was spent on hardware expenses required for each client/motel owner site. These expenses have been amortised over a 4 year period.

Other costs included \$20,000 of staff training and ongoing operational costs and the monthly broadband access charged by the Internet Service Provider which equates to \$10,000 per annum.

>> CHALLENGES AND PROCESS CHANGE

A significant internal process change was shifting a large network of rural motel managers from manually interacting with customers over the Internet to allowing an automated system do it for them.

Sundowner Motor Inn provided continual training and support counsel, appointed a dedicated Information Technology sales and support coordinator. They hold twice yearly training conferences to reinforce the new "Internet ethic" to guide motel managers through the change.

In one situation, five minutes after the online software went live at a motel site in Warnambool, Victoria four reservations from Hong Kong were made!

>> FUTURE PLANS

Sundowner Motor Inns plan to continually deliver more customer value using the website as a central transaction platform. 'Packaged' online deals will be available, offering a whole range of customised offers including accommodation + dinner, and accommodation + golf + breakfast promotions.

For Sundowner Motor Inns, the future is about fine tuning the supply chain to create the most customer centric system available in the market.

>> REFERENCE WEBSITES

www.wotif.com
www.portplus.com.au

>> E-COMMERCE PROFIT & LOSS ANALYSIS

	2003
Additional Revenue from eCommerce	\$
Increased Internal bookings	<u>43,000</u>
Add: E-Commerce Expense Reductions	
Reduced telephone bills	5,000
Reduced postage, freight, couriers and handling	5,000
Reduced paper and printer cartridges	3,000
Reduced customer services costs	<u>5,000</u>
Total eCommerce Expense Reductions	<u>18,000</u>
Gross Benefit from eCommerce	<u>61,000</u>
Less: Up Front Fixed Expenses	
Computer hardware including modem	10,000
Computer software	20,000
Anti-virus and Security software	2,000
Staff Training on technical systems	<u>20,000</u>
Total eCommerce Upfront fixed expense	<u>52,000</u>
Less: Calculate Operational Expenses	
Internet Service Provider	<u>10,000</u>
Total eCommerce Operational Expenses	<u>10,000</u>
Total eCommerce Costs	<u>62,000</u>
Total eCommerce Benefit	<u>(1,000)</u>

**Total amortised over 4 years*

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For further information go to: www.mmv.vic.gov.au/casestudies

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