

Case Study 20 of 20 Secure Online Selling Industry: Retail

>> THE BUSINESS

Established in 1969, The Coffee Company sells retail and wholesale coffee through their Carlisle Street store in Balaclava, Melbourne. They also roast beans on the premises. The Coffee Company also retails a variety of herbal and fruit infusion teas, roasted nuts, dried fruits along with homewares related to the brewing and serving of coffee and teas. The business employs 7 staff.



>> WHAT WAS INITIATED?

The website was first developed in 1999 with modest expectations. As the customer experience was focused on visiting the shop, Alex - the proprietor, could not imagine why people would buy products online without walking through the door!

As the visitors to the website grew, more information and products were offered for sale. Customers can now view stock from the shop, research coffee, tea and related homewares and purchase via a Secure Payment Gateway. The site is also a valuable resource guide for all things coffee with an array of coffee links provided.

What is a Secure Payment Gateway?

A payment system that allows customers to make real-time, secure credit card payments across a website. The system encrypts credit card details to ensure that they remain secure from hacking and subsequent fraudulent use.

"When I launched my website I said to my friends who had encouraged me to have a site, it would never work. However, it was so cheap to do that I thought I had nothing to lose. Fortunately, I have to admit that they were right."

Alex Silbersher, Owner

Since 2003, over 300 orders have been received via the secure payment gateway in an 18 month period. Now, there is hardly a day that goes by without an order.

The Coffee Company website, complete with a Secure Payment Gateway has developed a significant revenue source from people who either shop online because they are unable to visit the shop or research their purchase online to then come and buy later.

>> HOW THE TECHNOLOGY WORKS

The Secure Payment Gateway works by processing the credit card details of the customer and passing the order via email to the Coffee Company for fulfillment. The process is outlined below:

1. The customer enters their order into the site including their credit card details.
2. The order is encrypted with the credit card payment being processed by the Secure Payment Gateway.
3. At the same time, an email is sent to the Coffee Company with the customer details and the items they wish to purchase.
4. Management instructs one of the staff to gather the items and prepare them to be posted.
5. The order is delivered with the daily post by Australia Post.

>> RESULTS

The Coffee Company website was launched five years ago and now it is a significant contributing channel to the business.

The contribution to revenue measured against outgoings reveal an overall return on investment of \$74,400.

>> COSTS

Both establishment and ongoing costs were relatively low with the major expense being the establishment of the website at \$2,000, amortised at \$400 over five years.

The human resource to update the website has been Alex's time but this is limited depending on how busy the business is. Overall, the upfront expenses came to \$3,600 during 2003 with operational expenses amounting to \$2,000.

One expense that the Coffee Company incurred wisely was the purchase of Anti-Virus software for \$200. It is important to ask your Internet Service Provider or web developer about Internet Security, firewall and antivirus software when you set up your Internet access.

What is AntiVirus software?

A software programme that scans your computer systems for viruses. A virus is a computer program that is designed to replicate itself into the other programs stored in a computer. A virus can be transmitted as an attachment on an email, by downloading infected programming from other websites, or through a floppy disk or CD.

>> CHALLENGES AND PROCESS CHANGE

The introduction of the website has not presented any major challenges nor changed processes within the offline retail store.

One process that the Coffee Company has changed is the daily visits to the post office to dispatch the orders. This fulfillment of orders via Australia Post mail has been scheduled as part of the existing staff duties.

The management of the Coffee Company found that the website volume is not yet large enough to warrant a dedicated staff member and given the solid return on investment is looking forward to the sales volume to grow further.

>> FUTURE PLANS

The Coffee Company is planning on increasing the content to the website and providing even more detail about his coffee and tea products. The Coffee Company is also actively working to improve their listings on Internet search engines as a method of increasing website traffic.

>> REFERENCE WEBSITES

www.coffeecompany.com.au
www.directone.com.au

>> REFERENCE eNOTES

eNote 10: Make Search Engines work for your Business
 eNote 12: Selling Online
 eNote 14: Online Credit Card Facilities - FAQs
 eNote 16: Security

>> E-COMMERCE PROFIT & LOSS ANALYSIS

	2003
Additional Revenue from eCommerce	\$
Direct Sales via the Internet	50,000
Indirect Sales via the Internet (estimated)	100,000
Gross Benefit from eCommerce	150,000
Less: Cost of Goods Sold	70,000
Net Profit for eCommerce	80,000
Less: Up Front Fixed Expenses	
Website and Content management systems*	400
Anti-virus and Security software	200
Computer software	1,000
Computer hardware including modem	2,000
Total eCommerce Up Front Fixed Expenses	3,600
Less: E-Commerce Operational Expenses	
Domain Charges (Web address)	200
Internet Service Provider/Hosting of Website	500
Technical Support	100
Postage Charges	600
Telecommunication Charges	600
Total eCommerce Operational Expenses	2,000
Total eCommerce Costs	5,600
Total eCommerce Benefit	74,400

**Total costs amortised over 5 years*

The Coffee Company
 260 Carlisle Street
 Balaclava, VIC 3183
 Telephone: (03) 9534 6604

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

This case study is based on research, opinions and information provided by management of this business which have not been independently audited or verified. Neither APT Strategies Pty. Ltd. nor the State of Victoria makes any representations or warranties (express or implied) as to the accuracy or currency of the information contained in the materials nor does it endorse any company or organisation or other websites or materials referred to. Neither APT Strategies Pty. Ltd. nor the State of Victoria accepts any responsibility or liability in relation to this case study including liability in negligence for reliance on any information in these materials or any products, services or information which may be provided by the companies and organisations referred to. Professional advice should be sought prior to any action being taken in reliance on any of the information contained in this case study. Copyright State of Victoria 2004