Assignment 2

Retail Company Migration to the Internet

Name:	Beau Lebens
OLA Student Number:	69267
Unit Name:	EBS11: Strategic E-Business
Study Period:	Study Period 4, 2003
Email Address:	beau@dentedreality.com.au
Date Submitted:	20 January 2004
Word Count:	2,713

Note: Unless otherwise indicated, most figures within this document are estimates, assumptions or created for the purpose of illustration only.

By submitting this assignment, I declare that I have retained a suitable copy of this assignment, have not previously submitted this work for assessment and have ensured that it complies with university and school regulations, especially concerning plagiarism and copyright.

1.0 Management Summary

Building Supplies International (BSI) plans to develop an online ordering and fulfilment system that will help streamline their order processing and warehouse facilities throughout Australia, New Zealand and Ireland. As part of this project, warehouse facilities will be improved in Australia and Ireland, and constructed in New Zealand for the first time.

The cost of the system, warehouse modifications and construction, staff training and complete implementation is expected to be completely offset by increased sales within 2 years, while future growth from that investment is also extremely likely. Scheduled for completion in approximately 10 months, this project will bring BSI to the forefront of international windowsill protector supply, and provide a firm platform for the future development of 'plug-in' functionality for other product lines which will work with the existing system, gaining maximum value from the investment.

This document will summarise the process involved in defining and developing the system, implementing it around the world and training BSI staff in its use. Specific issues relating to each region will be analysed, and a financial breakdown of expected returns and targeted sales in the windowsill protector department will be discussed. A schedule showing the approximate timing of the major phases of the project will also be shown, giving an indication of the expected progress of the project over the 10 months required to complete it.

Table of Contents

2.0 Introduction

Recognizing a chance to improve the efficiency of their operations and potentially increase profits, Building Supplies International Pty Ltd (BSI) is posed to embark on a move towards the online sale of their products, starting in the competitive market of windowsill protectors. Over the next financial year, BSI will develop and roll out an online purchasing facility that will become the sole system by which the windowsill protector product line will be available to customers. This facility will include an information service (similar to a catalogue), the ability to place orders (for the customer) and the management of the warehouse levels and delivery process through a customised backend system (by BSI employees).

This new system will need to be capable of handling internationalisation issues such as different currencies, delivery methods, address formats etc, as it will be simultaneously rolled out in Australia, New Zealand and Ireland, the main markets for windowsill protectors. Along with the actual technical system that will be developed, tested and implemented during this project, it is expected that significant changes will be made to the entire supply-chain process including order processing, warehousing and delivery. These processes will all be revised to make better use of the online system and to work in tandem with the new benefits it offers.

This document will outline top-level details of the project from a combined perspective (for tasks such as the online system) and a regional perspective (for distribution and warehousing). Each region will be analysed for expected returns and volume of sales, based on current market share, building approvals in recent times and other data. Rough costs and timelines will also be proposed, however it is forewarned that due to fluctuations in exchange rates and international conditions, these elements are particularly susceptible to change.

Online retailing (e-tailing) should provide BSI with:
- Increased levels of efficiency
- Improved access to potential new international markets which are currently unexplored
- Increased accountability for supply-chain management

- Lowered costs for the management of orders and warehousing

BSI will need to take care to avoid issues such as:
- Alienation of customers through lack of direct contact
- Loss of customers to other providers who may provide a more attractive service/product for whatever reason
- Poor supply-chain management, leading to poor service provided to the customer

3.0 Project Overview

Due to its global nature, communication will be critical to the success of this project. The development of the online system will be completed at the head office of BSI, in Perth, Western Australia. Through close liaisons with other staff, a consultant firm will be employed to define and create the system to the specific requirements of the company. Once the online system is completed and tested using a pilot group of staff and customers within Western Australia, it will then be rolled out across the rest of Australia, New Zealand and Ireland. Following are approximate guides to the operations involved in the local technical development and pilot and the regional implementation of the system. General considerations for the success of the project are included for reference across all stages.

3.1.0 Technical Development

During this phase, the online system will be defined according to specifications, arrived at through consultation with managers and employees regarding current and desired workflow. The consultant group hired to complete the specification process will need experience in business process management, supply-chain management and e-commerce, to ensure that optimal workflows are devised around the new system, and that the system supports them as thoroughly as possible.

This phase of the project is expected to be time-consuming and expensive, due mainly to the cost of the consultants and the time involved in specifying and then development the system. Completion of this phase will take approximately 8 months, including time for defining the specifications, developing the system and rolling out the pilot on local staff/customers and collecting feedback.

The pilot of the system should be undertaken with a small group of approximately 20 loyal customers who should be relatively comfortable with information technology, and be willing to provide feedback where appropriate on their experiences with the system. This phase is critical to ensure that all 'bugs' are repaired before the system is released publicly.

3.2.0   Regional Implementation

During this phase, the system will be made available internationally to BSI's warehouses in Ireland and the other warehouses across Australia, and be installed in the new warehouse in New Zealand. More details relating to this phase are available in Region-Specific Plans/Details. This will involve installation and configuration of computers in the warehouses that are ready to deal with the backend, retraining staff in the use of the new system and actual switchover to its use.

3.3.0   General Considerations

To ensure the success of the project, the following issues will need to be considered during all phases of development and implementation:

- **Internationalisation:** The online ordering and warehousing system will need to be applicable in an international setting. Factors such as differing currencies, address and date formats and product requirements/specifications need to be catered for in the system.
- **Communication:** Being of a global nature, it is critical that high levels of communication are maintained. This will be of increased importance during the regional implementation phase of the project, when operations move away from head office.
- **Workflow Alterations:** Introducing a new system such as this to the core of the supply-chain management process will involve significant changes to current workflow. Employees and managers need to be aware that these changes are coming, and of how to handle them.
- **Staff Training:** Closely related to workflow alterations is the issue of staff training. To ensure proper adoption and usage of the system and the new business processes related thereto, staff would need to be trained correctly.

3.4.0 Project Timeline

This schedule shows approximate completion times of the major stages of the international rollout of the new online system, including the new warehouse facility in New Zealand. Total time for completion is approximately 10 months.

Task \ Month	1	2	3	4	5	6	7	8	9	10	11	12
Technical Development	◆							◆				
Consultation/Analysis of work-flow	█											
Scoping/Definition of System	█	█										
Development of System			█	█	█	█						
Thorough Testing						█	█					
Initial Pilot							█	█				
Revisions From Feedback								█				
Australia Implementation						◆				◆		
Warehouse Modifications						█	█					
IT Set-up								█				
Staff Training									█			
Advertising/Publicity									█	█		
New Zealand Implementation	◆									◆		
Construction of New Warehouse		█	█	█	█	█	█	█				
IT Set-Up									█			
Staff Training										█		
Advertising/Publicity										█		
Ireland Implementation						◆				◆		
Warehouse Modifications						█	█					
IT Set-up								█				
Staff Training									█			
Advertising/Publicity									█	█		

4.0 Region-Specific Plans/Details

Once the system is developed and has been piloted with a small group of staff and loyal customers around head office, BSI will roll out the new online ordering system to the international branches and the other offices across Australia. Specific considerations and expectations will exist for each region, as outlined below.

Across all regions, sales figures indicate that on average, 10 windowsill protectors are sold for each building serviced by BSI. As seen below, global sales targets are for an average increase of approximately 15% across the board, factoring in only a 10% increase in sales in Ireland, with a boost of 20% in New Zealand and solid growth of 15% in Australia.

4.1.0 Australia

Within Australia, the fitting of windowsill protectors is required by law on all new buildings. This law ensures that there is a certain volume of customers that will always exist. BSI currently maintains a 20% market share of the windowsill protector market within Australia, due to an aggressive marketing and promotion campaign targeting building companies and building supplies chains such as Bunnings.

Within Australia, BSI aims to grow their market share to 23% (a 15% increase) in the year following implementation of the new system. This will be achieved through the following methods:

- Continued aggressive marketing, focussing on the new, online system
- Online promotions to customers using previously collected email address details
- Initial discounts for users making use of the online system

Australia is already home to the global production and warehousing facilities, so these will be maintained and expanded as required. With the New Zealand warehouse to be opened and the Ireland warehouse scheduled for modifications, local warehouses should not need to be expanded in the short to medium term.

Further details of the expected Australian sales volumes are shown in the [Financials](#) section.

4.2.0 New Zealand

East-coast Australian warehouses and offices currently service New Zealand customers, but this is expected to change with the introduction of the new system. It is planned that a small, NZ-based warehouse will be established to receive goods from Australia and then deliver them locally using taxi-trucks, which are dispatched from the warehouse. The warehouse will be maintained according to forecast levels, based on sales figures aggregated from the new system over time. This method is expected to provide a better service to NZ customers, who are currently suffering from the wait to receive their product from Australia.

With this improvement in service and a local presence, it is expected that the market share within New Zealand can be improved to 18% (a 20% increase) to solidify operations and offset against expected problems in Ireland. New Zealand's legislation requiring windowsill protectors will continue, with no plans to alter it at all. BSI is building a strong reputation in New Zealand for supplying a quality product at a competitive price; we believe that the inconvenience of delayed deliveries is the main factor preventing stronger growth in the region.

Further details of the expected sales volumes in New Zealand are shown in the [Financials](#) section.

4.3.0 Ireland

Irish operations are currently suffering from being slightly 'behind the times', with a variety of Ireland-based building supply firms already offering online ordering and fulfilment services to their customers. BSI has been experiencing strong competition in this area, and only a 10% increase in sales is expected in the next financial year. The existing local warehouse will be updated to use the new online system and brought into line with the rest of the global operations of BSI, hopefully putting them more firmly in competition with local companies in Ireland.

To achieve this 10% growth, Ireland will also need to be subjected to continued advertising and promotion of the new service, clearly portraying the fact that BSI's service includes online facilities now. The quality of the product has a good reputation, but the image of being an old-fashioned organization holds back sales in some areas. Ireland's legislation requiring the fitting of windowsill protectors to all buildings will continue to support sales in the region.

Further details of the expected sales volumes for Ireland are shown in the Financials section.

5.0 Financials

NOTE: Unless otherwise stated, all values are in Australian Dollars (AUD)

Approximate figures relating to forecast sales volume are shown below, assuming that the entire current market share is retained, and that the distribution of all windowsill protectors will be replaced with the online ordering/warehousing system.

Region	Building Approvals	Current Market Share	Sales Volume	Revenue ($,000)
Australia	178,956	20%	357,910	1,789.5
New Zealand	29,821	15%	44,730	223.6
Ireland	57,695	10%	57,690	288.4
TOTAL:	266,472		460,330	$2,301.5

Notes: - Figures for building approvals do **not** take growth, forecast or planned, into account.

- 10 windowsill protectors are assumed to be sold for each building serviced.

- Market share figures are for the purpose of this document only.

- Units are assumed to be sold at a global average price of $AUD 5.00.

- Figures for building approvals are from Australian Bureau of Statistics (2004), Statistics New Zealand (2004) and Central Statistics Ireland (2003) respectively

Below are targeted sales volumes growth with the increases of 15%, 20% and 10% respectively in Australia, New Zealand and Ireland. Revenue indicated will more than adequately cover development and implementation of the new system, although they will not entirely fund the construction of the new warehousing facilities in New Zealand.

Region	Growth	Building Approvals	# Additional Units	Revenue ($)
Australia	15%	178,956	53,689	268,445
New Zealand	20%	29,821	8,948	44,740
Ireland	10%	57,695	5,774	28,870
TOTAL:		266,472	68,411	$342,055

To achieve this growth, this project is expected to incur the following approximate costs:

Region	Expense	Value ($)
Global	Specification and Development of online system	150,000
Global	Advertising/Publicity	50,000
Global	Staff Training	20,000
Australia	Pilot of online system	10,000
Australia	Warehouse modifications	5,000
Australia	IT Set-up	10,000
New Zealand	Warehouse construction	400,000
New Zealand	IT Set-up	10,000
Ireland	Warehouse modifications	5,000
Ireland	IT Set-up	10,000
TOTAL:		$670,000

Clearly during the first financial year at least, this project will incur a net loss, however it is projected that the loss will be offset within 2 years of the project beginning, which management has agreed is an acceptable and sustainable risk.

6.0 Communications Schedule

Communication is specifically important in global projects such as this. Synchronising resources on the other side of the world, catering for time zone differences, cultural differences and other issues can be extremely difficult. Regular and thorough communication can help to ensure that all resources are kept in synch and performing efficiently. The following 3 communication reports should be specifically noted.

#	Description	Recipient(s)	Frequency
1	**Exception Report:** detailing significant obstacles to the success of the project.	All Major Stakeholders.	As Required
2	**Regular Update:** Short report summarising work completed, progress made and possible obstacles to project completion. (See Appendix A for sample)	Project Manager, Stakeholders on request.	Weekly during tech dev, Monthly thereafter.
3	**Milestone Report:** Delivered at the end of significant milestones, detailing delivered outcomes from that block of work, summarising the deliverables for the next block.	All Major Stakeholders.	Milestones

7.0 Conclusion

Despite the magnitude of this project, forecasts indicate that the return is likely to offset investment within 2 years, which management is confident is a sustainable risk in the current economic climate. This project will bring BSI's global operations into the 21st century and in line with, if not ahead of, the competition in all three regions of activity.

Given the nature of online operations, it is likely that maintaining a presence in this area will reduce costs in the future in areas such as promotions, order processing and paperwork-handling. This combined with the growth that the move is likely to enable and the increased throughput which will be possible with new and improved warehouse facilities, mean that the conclusion of this project will see BSI at the beginning of a new phase of business potential.

To move on this immediately would mean having the new system operational in all three regions within approximately 10 months, and all 'teething problems' smoothed over within a year. With BSI's solid performance this financial year, and the market looming ever nearer with similar technological innovations, now is the time to proceed with a move like this.

Appendix A

Periodic Project Update Report

Title	Name	Phone
Project Manager:		
Technical Manager:		
Warehouse Coordinator:		
Staff Trainer:		

Current Focus: [Technical] / [Warehouse] / [Training] / [Operational]

Schedule: [On Schedule] / [Ahead of Schedule] / [Behind Schedule] / [Slipping]

General Progress Comments:

Completed Tasks:

Upcoming Tasks:

Date:

Signed: _____

Project Manager

References

Australian Bureau of Statistics. (2004). *8731.0 Building Approvals, Australia*. Retrieved online 17 January, 2004, from http://www.abs.gov.au/ausstats/abs@.nsf/lookupMF/B642DF0CBC9E2C7CCA2568B700190AFE

Central Statistics Office (Ireland). (2003). *New Dwellings Completed 2002*. Retrieved online 17 January, 2004, from http://www.cso.ie/principalstats/pristat10a.html

Statistics New Zealand. (2004). *Building Consents Issued November 2003*. Retrieved online 17 January, 2004 from http://www.stats.govt.nz/domino/external/pasfull/pasfull.nsf/0/4c2567ef00247c6acc256e150005ea9e/$FILE/alltabls.xls