

Advancing with e-Business

Infocus Securities

www.infocus.com.au



Darren Steinhart

e-Security



The Business

Infocus Securities is a financial services company specialising in wealth preservation and retirement planning, superannuation and debt reduction.

Infocus Securities was established in 1993 in Maroochydore, QLD and employs 34 full time staff in four locations - Maroochydore, Gympie, Mackay and Sydney.



The Idea

Three years ago, a management team led by Managing Director, Darren Steinhart, initiated the e-commerce strategy which included the implementation of a website, Virtual Private Network (VPN), electronic newsletter, and a facility for clients to view their own investment accounts online.

The initial aim of the e-commerce strategy was to increase market presence. It was envisaged that a website would draw new clients and online functions would be developed to enhance service delivery to existing clients.

The website was developed by two internal programmers and is now updated daily with data feeds from research houses and regulatory bodies.



e-Security

In recognising the increasing reliance on the Internet for supporting business operations, Infocus Securities has installed several e-security measures. Data traffic to and from the Internet is controlled by a firewall application. Other security initiatives include installation of anti-virus software, daily data back-ups and the provision of physical security of the server. An external security expert was also engaged to assess system security requirements and ensure protection against data loss, system damage and unauthorised access.



The Investment

Initial costs in setting up the e-commerce system totalled \$137,555 over three years. A major portion of this expense was dedicated to investment in a new server (\$30,000) and small business server software (\$30,000). In building the website, time spent by two internal programmers amounted to \$20,000 while management dedicated \$10,000 of time in preliminary research. Costs associated with e-security include installation of a firewall blackbox (\$9,000) and ten licence fees for anti-virus software (\$1,055).



Hurdles

Infocus Securities found it initially difficult to obtain information about website options and online processes. Following implementation, the company encountered cultural barriers with certain staff resisting the new technology. This problem was managed by making extensive training available to all staff and repositioning staff unwilling to use the new technology. Infocus Securities encountered several problems with the Integrated Services Digital Network (ISDN) provider in terms of consistent connectivity. As a result, the company upgraded to an Asymmetric Digital Subscriber Line (ADSL) service.



Results

Infocus Securities achieved an operating benefit from e-commerce of \$149,111 in 2001. The business has more than recouped its establishment costs of \$137,555 in one year. Clients have been particularly receptive of the website, generating \$250,000 in internet-related sales.

Cost savings totalled \$270,900 in 2001. The most significant saving has come from a reduction in staff time spent in administrative functions such as manual preparation and lodgement of forms with regulatory bodies (\$150,000). The use of online banking and payroll has reduced bank fees by \$1,000 and payroll by \$1,500.

Communication expenses have been substantially reduced by the increased use of email including stationery (\$1,000) and staff time (\$30,000). The use of the website and electronic newsletters as the main form of marketing has reduced photocopying and printing expenses by \$2,400 and \$56,000 respectively.

Ongoing costs totalled \$221,789 in 2001. The major ongoing expenses are attributed to employment of 2 internal programmers to develop and maintain the website (\$115,000). An external security expert was also commissioned to conduct reviews, amounting to fees of \$10,000. Fees paid for rental of the ADSL line were \$1,400 per month. In addition, \$34,389 is allocated to the amortisation of capital expenditure over four years.

Future

Following the success of the initial online system, Infocus Securities has implemented additional technology enabling clients to enter personal and financial details into a 'personal vault'. Clients are provided with a complete picture of their financial position and can monitor progress in achieving financial milestones. This empowers clients with the opportunity to rectify any financial problems, which in turn increases business volume for the company. In addition, strict security measures are critical in ensuring the success of this initiative.

Return and Costs

		\$
E-commerce establishment costs		
Web development	20,000	
Preliminary research	10,000	
Staff training - programmer and contractor	10,000	
Database integration	25,000	
Domain names	500	
Telecommunications - ISDN	2,000	
Software - small business server	30,000	
Software - anti-virus application	1,055	
Hardware - server	30,000	
Hardware - firewall blackbox	9,000	
Total e-commerce establishment costs		137,555
Operating benefit from e-commerce		
		2001
		\$
Additional revenue from e-commerce		
Sales due to online services	250,000	
Total additional revenue from e-commerce		250,000
<i>Less: Cost of goods sold</i>	150,000	
Gross profit from e-commerce		100,000
<i>Add: E-commerce cost savings</i>		
Photocopying	2,400	
Printing	56,000	
Stationery	1,000	
Staff time - after sales service and communication	150,000	
Bank charges	1,000	
Staff time - email communication	30,000	
Education	5,000	
Payroll	1,500	
Marketing - extra value to company	24,000	
Total e-commerce cost savings		270,900
Gross benefit from e-commerce		370,900
<i>Less: Ongoing e-commerce costs</i>		
Electronic payment system	(900)	
Authentication services/security	(2,500)	
Amortisation of capital expenditure *	(34,389)	
Financing Costs	(22,200)	
ISP - includes ADSL	(16,800)	
Specialist security consultant fees	(10,000)	
Licence fees - data suppliers	(20,000)	
Staff - two employees	(115,000)	
Total ongoing e-commerce costs		(221,789)
Operating benefit from e-commerce		149,111

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

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