

Advancing with e-Business

Market Equity

www.marketequity.com.au

The business



Market Equity is a business information consultancy with operations covering market research, marketing planning, marketing information systems and knowledge management. The company was established in 1992, and now operates throughout Australia. Market Equity is based in West Perth, Western Australia (WA) has 50 full-time employees nationally.

The idea

Company Directors implemented the e-commerce solution in 1996. The initial goal was to find a logical and cost effective way to transfer large volumes of information to clients. Subsequently, an extranet was established in 1998 to achieve this.



A two person Information Technology (IT) team, instructed by Managing Director, Dean Harris, conducted research into what options were available on the market and assessed best practice among industry peers. The development of the extranet was then outsourced to an external party.

The key feature of Market Equity's online system is the development of an intranet for staff use and an extranet for client use. Both these networks serve as a central document repository in which research reports and other documents can be sourced easily. The company also utilises online banking and payroll and receives research content from suppliers electronically. Email is the main form of communication with clients and suppliers.

e-Security

Market Equity recognised that a tight security system would provide customers with the confidence to support electronic transmission of commercially sensitive information. The company installed a firewall to control Internet connections into and out of the business. Other security processes include installation of anti-virus protection software and implementation of password protection that must be changed every 30 days.



Investment in digital certificates has also been made - these act as an electronic "credit card" to establish credentials when executing web-based transactions. Market Equity has in place extranet certificates for the distribution system and server certificates. Clients are also issued with certificates to keep access to the extranet exclusive and secure.

In case of attack or file destruction, all business data is backed-up on a nightly basis. Data is stored on back-up tapes and taken to an offsite location every week. This minimises the disruption to business activity should the computer systems fail. In addition, the server is locked in a cabinet for physical protection.

The investment



Market Equity invested \$81,500 into setting up the e-commerce initiatives. Six months of staff time was spent on preliminary research to identify and implement the most suitable solution for Market Equity (\$30,000). An external consultant was engaged to design and implement the extranet, at a cost of \$23,000. Investment in infrastructure included a Broadband ADSL installation (\$500), intranet software (\$12,000) and a scanner (\$6,000). Initial costs associated with e-security include installation of anti-virus software (\$3,000) and firewall technology (\$7,000).

Hurdles



With the company's increasing use of email, policies had to be implemented in order to restrict usage for business purposes only. Heavy reliance on the electronic filing system has led to new risk management policies being adopted such as the practice of data back-ups to limit the effects of downtime or corruption of data.

While Dean believes that the cost and time spent on implementing the system were substantial, the financial and qualitative benefits have confirmed that the investment was a successful one.



Dean Harris

e-Security



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Results

Market Equity generated additional revenue from e-commerce of \$1,200,000 in 2001. This is due to clients contacting the company having visited the website or providing opportunities due to the enhanced online features available.

Market Equity also derived cost savings of \$130,400 in 2001. The business saved \$24,000 on colour printing, as they delivered most results and proposals to clients electronically and \$21,600 on stationery and supplies due to minimising use of the printer and fax.

Substantial savings in staff time were achieved. These were due to clients being able to access the extranet for information rather than contacting staff (\$20,800), electronic filing and data retrieval rather than manual procedures (\$52,000) and online management of payroll and banking (\$12,000).

The ongoing costs totalled \$112,765 in 2001. This amount includes time spent by the consultants to update content on the extranet (\$62,400) and 20% of an IT staff member's time to maintain the system (\$12,000).

Maintenance costs associated with e-security include anti-virus software (\$1,500), firewall (\$1,000), extranet certificates for the distribution system (\$5,000), server certificates (\$1,850) and client certificates for access to the extranet (\$600).

Future

Dean plans to build on the present system to enhance service delivery to clients. They intend to install a facility whereby videos of market research groups can be transmitted to clients via the Internet. Market Equity also intends to conduct more research via the Internet rather than phone. Other plans include the development of an electronic marketplace by which marketing advice and research can be analysed and discussed by interested parties.

Revenue and Costs

	(\$)
E-commerce establishment costs	
Preliminary research - 6 months staff time	30,000
Development of extranet	23,000
Hardware - scanner	6,000
Software - Sharepoint for intranet	12,000
Software - anti-virus application	3,000
Hardware and software - firewall	7,000
Telecommunications - broadband (ADSL)	500
Total e-commerce establishment costs	81,500
Operating benefit from e-commerce	2001
	(\$)
Total additional revenue from e-commerce	1,200,000
<i>Less: Cost of goods sold</i>	<i>(996,000)</i>
Gross profit from e-commerce	204,000
<i>Add: E-commerce cost savings</i>	
Colour printing	24,000
Stationery	21,600
Staff time - 1/3 of bookkeeper's time because of online banking	12,000
Staff time - clients get questions answered via extranet	20,800
Staff time - using intranet instead of hard copy filing system	52,000
Total e-commerce cost savings	130,400
Gross benefit from e-commerce	334,400
<i>Less: Ongoing e-commerce costs</i>	
Amortisation of capital expenditure	(20,375)
Extranet Certificate- Distribution system	(5,000)
Server Certificate	(1,850)
Client Certificates	(600)
Extranet hosting	(2,400)
Telephony - ADSL, includes ISP	(4,800)
Maintaining extranet content	(62,400)
Software - Anti-virus application	(1,500)
Hardware - back-up tapes	(840)
Hardware and software - firewall	(1,000)
Staff time - IT person maintaining systems	(12,000)
Total ongoing e-commerce costs	(112,765)
Operating benefit from e-commerce	221,635

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

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