

Glen Street Theatre

www.glenstreet.com.au

Executive Summary

Glen Street Theatre is a well-established performing arts theatre situated in Glen Street, Frenchs Forest, NSW.

In 1999 Greg Randall, then Director of Glen Street Theatre, recognised the value of e-commerce in the industry from the e-commerce initiatives of competitors, and general industry trends. Under the guidance of current Director John Woodland, the theatre's e-commerce initiatives have improved sales, achieved net cost savings, and increased market share.

The theatre's initial e-commerce investment of \$15,250 was recouped in less than one year. In 2000, using e-commerce produced a net benefit of \$10,158 for the theatre. With future increases in sales and cost savings expected, a net benefit of \$23,948 is projected for 2001.

Through its website, the company has increased sales. Incremental website sales are conservatively estimated at \$20,000 for 2000, and are anticipated to increase to \$30,000 in 2001. As many are sales to new patrons, the company has also gained market share. In addition, the company has achieved net cost savings through operational efficiencies.

Future improvements to the website will be designed to increase online information. One of the planned features allows patrons to view their seating arrangements with a floor plan of the theatre. These information services will improve customer satisfaction, which should hopefully be reflected by an increase in sales. Increased cost savings are also anticipated as more customers use the website as opposed to the telephone for information and bookings.

The Business

Glen Street Theatre, built in 1985 by the Warringah Council, is a successful regional theatre that presents, produces and supports a variety of performing arts. The theatre has hosted many large theatre companies and provides the local community with a professional venue in which to perform. It comprises a 400-seat theatre, rehearsal room, and licensed restaurant with cabaret venue.

Getting Started

Having recognised e-commerce as an important tool in the future of the entertainment industry, Greg Randall, then Director of Glen Street Theatre, implemented an e-commerce strategy in 1999/2000. This decision was influenced by competitor use of e-commerce in cinema and theatre, and by customers' rising demand for an Internet presence. Glen Street Theatre's e-commerce strategy has since come under the guidance of Director John Woodland.

As evidence of the company's commitment to its e-commerce strategy, the initial investment totalled \$15,250. The development of the website and online bookings services, including technical expertise provided by alliance partner, Tickets.com, cost \$10,250. Additional telecommunications costs were \$2,000 for ISDN lines and \$3,000 for software to support the website.



Current E-commerce Strategy

The main objectives of the theatre's e-commerce strategy are to enhance marketing, sales and office efficiencies, facilitate research, and provide improved customer service and information to patrons.

The website is used to produce sales through an online booking facility provided by Tickets.com. The website also provides customers with information about the theatre, which is regularly updated with upcoming events. This online information strengthens customer relations and helps customers make informed choices. To market the website, the theatre registered it with search engines, created links with associated websites (e.g. www.lastminute.com), and features the website address on brochures and other print media.



Revenue and Costs

	2000 Actual \$	2001 Forecast \$
Revenue from e-commerce	20,000	30,000
<u>Add: E-commerce cost savings</u>		
Time saved by sales team (40 hrs/yr @ \$19/hr)	760	800
Technical research (5 hrs/wk @ \$19/hr)	4,940	4,940
Marketing research (5 hrs/wk @ \$19/hr)	4,940	4,940
Time saved in payroll (1 hr/wk @ \$19/hr)	988	988
Brochure mail-out costs (5000 @ 70c each)	-	3,500
Total e-commerce cost savings	11,628	15,168
Gross benefit from e-commerce	31,628	45,168
<u>Less: Ongoing e-commerce costs</u>		
ISP	(300)	(300)
Software licence fees	(3,000)	(3,000)
Hardware maintenance	(1,000)	(1,000)
Telephony	(1,920)	(1,920)
Total ongoing e-commerce costs	(6,220)	(6,220)
Operating benefit from e-commerce	25,408	38,948
<u>Less: E-commerce establishment costs</u>		
Website development costs	(10,250)	(5,000)
Telecommunications costs (ISDN lines)	(2,000)	-
Hardware		(10,000)
Software	(3,000)	-
Total e-commerce establishment costs	(15,250)	(15,000)
Net benefit from e-commerce	10,158	23,948



Financial Analysis

The theatre's e-commerce investment of \$15,250 was paid back in less than one year, returning a net benefit of \$10,158 in 2000. There was no need to purchase additional hardware as the company already had multi-purpose computers. This benefit comprised increased online ticket sales and associated cost savings, less ongoing costs. With development costs of \$5,000, it is anticipated that the net benefit from e-commerce in 2001 will increase to \$23,948.

As the website gains more exposure, online sales are expected to grow. It is also anticipated that cost savings will improve as staff use other e-commerce applications. For example, the company plans to extend its use of online banking to purposes other than payroll.

Additional online revenue from incremental sales generated from new customers is conservatively estimated at 50 per cent of online sales. These sales are estimated at \$20,000 in 2000 and projected to be \$30,000 in 2001. The costs of producing and hosting performances are fixed, and no additional direct costs are associated with additional website sales. As a result, incremental online sales contribute directly to the net profit of operating activities.

The e-commerce cost savings are predominantly linked to timesavings for theatre employees, and reduced mailing costs. All time saved reduces costs at the rate of \$19 per hour.

With theatre information now online, it is estimated that sales operators saved two minutes per call on an estimated 1,200 calls per year, yielding a cost saving of \$760 in 2000. This saving is expected to grow in 2001, with greater numbers of customers anticipated to use the website.

Technical staff, who use the Internet to research hire equipment, save an estimated five hours per week. This produces a cost saving of \$4,940, which is expected to repeat in 2001.

Marketing staff use the Internet to research marketing material, upcoming events and competitors' activities, saving five hours per week, worth \$4,940 in 2000. This saving is also expected in 2001.

By using online banking for payroll, the company saves approximately one hour per week, as salaries and wages are electronically deposited into employee accounts, giving a total cost saving of \$988. The continued use of online banking for payroll and the planned expansion for other online banking services such as bill pay is expected to enhance future cost saving.

Currently the theatre mails out approximately 50,000 brochures per annum, as part of their promotions strategy. In the next year, these brochure mail outs are expected to reduce by 5,000 through the use of online information and mailing lists. With mailing and production costs of 70 cents per brochure, this should create cost savings of approximately \$3,500 in 2001.

On-going e-commerce costs relate to maintenance and connection fees associated with the website and Internet access. The theatre pays Tickets.com a licence fee of \$3,000 per annum for software use, and \$1,000 to maintain the hardware that supports the website. Other annual ongoing costs are Internet service provider fees (\$300) and telephony fees (\$1,920).

It is anticipated that an additional \$5,000 will be spent on the website to achieve improved customer satisfaction through information provision and greater functionality.

In 2001 the theatre spent an additional \$10,000 on a dedicated server for e-commerce because the existing server handled all the business's other functions and couldn't cope with the additional workload.



Non-financial Benefits

The theatre has gained a number of non-financial benefits from its e-commerce activities, including:

- improved research resources allowing technical staff to make more informed choices about equipment and marketing staff to discover competitor activities; and
- enhanced customer satisfaction, through improved online information services and mailing lists, which is expected to be reflected in future sales.



Challenges

The key challenges to implementing the theatre's e-commerce initiatives were the lack of technical knowledge within the company, and its inadequate information technology infrastructure. These challenges were overcome through the alliance with Tickets.com, which provided software and support to establish the website.



Future

In the future, the theatre's e-commerce focus will be on improving online ticket sales through improved information services. For example, one of the planned features allows patrons to view their seating arrangements with a floor plan of the theatre. The theatre also plans to reduce booking costs by directing regular customers to make website bookings rather than telephone bookings.

The company also plans to incorporate e-commerce initiatives into other areas of the business, such as using online banking for purposes other than payroll. These initiatives are designed to improve the efficiency of processes and provide future cost savings.