

# ECommerce Case Study

## Canon Hill Potteries Ltd.

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## Introduction

This case study has resulted from an innovative project undertaken by the eCommerce Innovation Centre (eCIC) at Cardiff University, entitled *Electronic Commerce in Support of Domestic and International Trade*. Funded by the European Regional Development Fund and British Telecom, the project aim was to raise the level of knowledge on eCommerce amongst the small to medium-sized enterprises (SMEs) in South Wales. The project which was completed at the end of 1998, had the support of Cardiff County Council, the Vale of Glamorgan Council, South Glamorgan TEC, Cardiff Bay Development Corporation and Gwent TEC, all who saw eCommerce of direct benefit to many small businesses in their area. This case study reflects the experiences of one of the 15 SMEs involved in the trial.

For a clearer understanding of the project and to clarify comments made in the case study, readers should visit the project Web site at:

<http://www.cf.ac.uk/uwcc/masts/ecic/swec>

## Overview

Canon Hill has had to start up a steep learning curve in adopting e-Commerce technologies. In a step-by-step approach, the company's management are gradually becoming accustomed to Internet/Web usage and are exploring the potential of this medium for marketing.

## The company

Canon Hill Potteries (CHP) was established in 1981, initially trading from a garage, as a manufacturer of perfumable pottery products. In 1988 the husband-and-wife business partnership moved to freehold premises behind their house in Barry, Vale of Glamorgan. This site now represents 4,000 square feet of manufacturing and office accommodation.

The company manufactures a wide range of perfumable pottery products including terracotta pots for perfumed candles, pot pourri containers, bathroom accessories and fragrance bottles. CHP has expanded gradually principally due to the company's concentration on product quality and continued product development initiatives. All products are designed by the owners. The majority of the company's products are distributed by direct delivery, either to retail distribution centres, or by post, direct to the retailer.

The company is clearly ambitious with plans to increase capacity and improve the flexibility of the manufacturing operation, including extension into further freehold property and the creation of additional storage facilities. This expansion will lead to an increase in the level of employment from the current 25 (although this changes seasonally) as output increases.

The company has an impressive client base including household names such as the Body Shop and Sainsburys as well as customers in Europe, the US and Japan. Just prior to the start of the project, the Body Shop invited CHP to manufacture a number of new lines specifically for their re-sale, replacing current stock being imported from Germany. However, new sales and enquiries are always being sought after.

The business is currently split 80% perfumes, 20% bathroom items with the birds and pet range a new addition. A big problem is distributors who take their cut and thus reduce Canon Hill's revenues. Therefore targeting end-customers and buyers has become a high priority. However, distributors are good for business as they often pass on information which gets converted to sales. The real issue comes in the form of lack of information. For example, Japanese consumers seem to be extremely keen to collect these unique items. But the problem for Canon Hill is that they do not know enough about the Japanese market. The only significant marketing exposure the company currently gets is through 2 trade fairs every year.

### **Business issues addressed in the project**

Canon Hill remains a labour-intensive company where traditional methods dominate. There is still a huge reliance on the fax machine and most processes are completed manually. This reliance is due to 2 main factors:

- the company's management team do not have the time to keep up with IT developments and do not consider Canon Hill requires the computing prowess of other firms;
- the processes of the company are deemed so straight-forward by the management that little resource is offered to changing these.

In addition the company does not operate any direct sales force but has intermittent marketing campaigns via magazines. As such the relationships that have been developed with customers are not fully utilised.

### **E-commerce technology implemented**

Due to Canon Hill being a very small company, with just 2 PC's, it was decided a dial-up account with BT would be more preferable than ISDN. A Web site was also developed to focus on a small range of products that are well classified and have attractive presentation suited to a traditional glossy catalogue. Canon Hill already had a suitable modem, so this was used for the dial-up account.

Canon Hill was also provided with membership of the electronic trading opportunities (ETO) system *BT Sextant*, which was implemented in the latter stages of the project. It was hoped this would enable CHP to use the Internet as a medium to disseminate and collect useful information that could lead to sales opportunities and/or more efficient purchasing on a global basis.

### Cost of implementation

The approximate costs associated with the e-Commerce technologies implemented at Canon Hill follow:

<b>E-Commerce technologies</b>	<b>£ Value (ex VAT)</b>
Call charges (approx. 12 months)	<i>Not recorded, but deemed minimal</i>
BTInternet account (12 months)	110
Web page design	400
<b>Total for year</b>	<b>510</b>

### Benefits

Canon Hill has seen an increase in enquiries generated, due to their Web presence. It has proven extremely difficult (if not impossible) to gauge the completion of enquiries into orders. This is mainly due to the fact that the companies use agents and distributors overseas, such that when a customer makes an (e-mail) enquiry, they are directed to the relevant agent. As such, monitoring the closing of sales directly attributable to enquiries generated through Web sites has been difficult.

Canon Hill are now keen to build on recent adverts displaying their Web and e-mail addresses by developing and promoting their Web site more thoroughly. The Web is seen as an excellent medium to promote specific product ranges and to target specific audiences (i.e. the US and Japanese markets).

### Summary

One of the firm's Directors envisaged the Internet assisting in learning about Japanese customers and their market. In addition, targeting end-customers and buyers, rather than using 3<sup>rd</sup> party agents was seen as a potentially significant benefit. Whereas the majority of new contacts are made at 2 major trade fairs each year, the Director could foresee the Internet opening many new doors. The concept of ETO's also interested the company. The ability to use the Web site to generate enquiries and orders was also valued.

However, Canon Hill have made little use of their facilities although their email address and Web site is now being included on all stationery and in all advertising. The expectations in May 97 were relatively high but little benefit has been obtained primarily due to resource constraints.

## Future Requirements

Following a year of tentative Internet usage, CHP has been encouraged by the potential improvements in marketing as a result of their Web site. They wish to continue marketing the company in this way, although some more proactive tools and training would be beneficial. This would hopefully speed up the learning process of capitalising on the company's Web presence.

CHP could make use of an e-catalogue facility covering a range of products. This could be extended to capture payments from customers' credit cards as long as re-assurance can be given of a secure environment. A full credit card clearance facility via a system such as that offered by Netbanx appears most suitable.

An interesting problem recently identified is that in dealing with e-mail enquiries it is not possible to know the source of the enquiry. This is an apparently small issue but over a period of time, with an ever-increasing amount of e-mail enquiries, it could become a nuisance. An automated re-direct service would be extremely beneficial.

Canon Hill can be found on the Web at:

<http://www.btinternet.com/~canonhill-swec/>

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