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## Barunga Music Online

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## Barunga Music Online

### Abstract

Barunga Music is a fictitious company, used for the sole purpose of creating this case study: Barunga Music is an organisation that records, markets and sells Aboriginal compositions. Barunga is a small business that operates a physical store based in Melbourne. The organisation was established in 1994 by Stephen Clark and business partner Daniel Stone. The company employs 10 staff members, including a part-time IT professional.

### Disciplines

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## BARUNGA MUSIC ONLINE

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### SWOT ANALYSIS

After comparing historical sales revenue quarter by quarter, Clark decided to conduct a high-level SWOT analysis. He had not reached his sales target estimates in the last

financial year and considered what opportunities there might be to reverse this trend. His findings are shown in figure C3.1.

It became apparent to Clark that investing in an electronic commerce strategy was a plausible solution, although lately he had read about the failures of the dot.coms and was not entirely convinced. Stone, on the other hand, was a savvy businessman who was not afraid to take calculated risks. After all, it was he who had brought to Clark's attention that Skinny Fish Music,<sup>15</sup> a major competitor, had gone online in 2000.

<b>Strengths</b> <ul style="list-style-type: none"><li>• Market niche focused on Aboriginal music</li><li>• Barunga is a trusted label and brand that has been in operation for eight years</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Physical store located in Melbourne only</li><li>• Customer base is relatively small</li><li>• Budget for advertising is small</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Create an Internet presence</li><li>• Market and sell music online</li><li>• Extend customer base to a global market</li><li>• Locate new talent abroad to record indigenous music of any background</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Main competitor has already invested in electronic commerce technology</li><li>• The cost of compact discs is being driven down by market forces</li></ul>

FIGURE C3.1: SWOT analysis findings

## **PRELIMINARY CONSIDERATIONS**

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Before any decisions were made to adopt an e-commerce strategy for Barunga, Clark and Stone conducted further research. They examined the current market conditions and explored Barunga's main competitors. They estimated the potential online market in terms of size and location, and reviewed current competitor pricing, online promotional strategies and the identification of underdeveloped market niches.

After an analysis of Barunga's main competitor Internet sites, Clark realised that establishing an Internet presence would not automatically guarantee an increase in sales. Some of the competitor sites were riddled with defects and did not reflect the quality of product that was being promoted online. These defects included the inability to quickly locate particular information about products and/or use key-word searches on the site, the content was not updated regularly, little or no company information was displayed and, in most cases, a secure electronic payment system was absent. Barunga decided that it would differentiate itself using the online medium.

Clark and Stone considered several options, all of which sounded feasible until they invited their part-time IT professional to discuss them further. She quickly made her employers aware that adopting an e-commerce strategy would be costly and required careful planning, and that the implementation would most likely happen in stages. She also dispelled Clark's suggestion that she would take on the

additional responsibility of building the site on top of her normal workload. She did, however, agree to conduct a requirements analysis based on information gathered from their meeting.

## **INTERNET SITE REQUIREMENTS**

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### **Company background and contact information**

It is very important for an organisation, especially one that offers online shopping, to provide background information about the business to its customers. This builds customer confidence in conducting online transactions with the organisation. Barunga should also advertise its existing physical location, which will provide additional legitimacy to the online business. Further, a contact email address should be provided for customers who require additional information or support in addition to the information provided on the FAQ (frequently asked questions) page.

### **Products**

Compact discs are a low-risk purchase, since customers are not usually concerned about colour, size or compatibility issues. Therefore, the factors that Barunga must focus on are inventory stock levels, price and value-added features. Value-added features include providing services such as the opportunity to purchase the music in digital format for the customer to download, for instance in mpeg3. A discount option for this type of sale can be granted, offset by the reduction in administrative costs.

### **Member facilities**

A members' section within Barunga's web site will provide the capability to build a customer database of existing and potential clientele. While subscription to this service will be free, it will require the customer to complete a simple online form. Information collected through this form will not be so detailed that it potentially deters individuals who are conscious about parting with too much personal information. The following services will be offered to members: access to sample music and video clips; access to the public message board; and the ability to subscribe to a mailing list detailing upcoming events such as concerts and new releases. It is inherently implied that an online shopper must be a member to be able to make a purchase.

### **Search facility**

Barunga's site will enhance the online customer experience by granting them the ability to find information quickly and easily through an online search facility capability. Customers will not only be able to search for key words within the site but also for words within a song, hence returning search results by title, theme, singer, songwriter, place and date. In addition, an easy-to-follow site map will aid customers.

### **Online purchasing facility**

Barunga will use an Australian online electronic payment system (EPS) designed and provided by ANZ BizSite.<sup>16</sup> Unlike its main competitor, Skinny Fish Music (SFM), Barunga wants to encourage its customers to purchase online. SFM has found

itself in a predicament as it has outsourced its EPS to an American-based company that does not hold itself liable for fraudulent activities resulting from Australian sales. In this manner, SFM has inadvertently discouraged its Australian customers from using the convenience of an online shopping cart, preferring instead to take their orders offline. Barunga, on the other hand, will not be responsible for securing customer data, as this too will be handled by BizSite. ANZ will also host the entire site, which will allow all information to be kept and managed in a centralised area.

### **Offline orders**

Barunga has recognised that not all online customers will feel confident about providing their credit card payment details over the Internet. These customers will be accommodated offline through mail, facsimile or telephone. However, strong incentives will be offered to entice customers to shop online. Incentives will also be made to engage and retain customers. This will be implemented using a loyalty points system. For each dollar a customer spends, five points will be awarded. The higher the amount of money spent, the more points the customer will accumulate. The points can then be spent on selected products in the Barunga storefront.

### **Affiliate programs**

Affiliations will be made with other sites such as [www.aboriginal.com](http://www.aboriginal.com) and [www.aboriginalconnection.com](http://www.aboriginalconnection.com). This will entail these organisations to direct customers to Barunga's web site through links and banner advertisements.

## **TECHNOLOGY OPTIONS: IN-HOUSE VERSUS OUTSOURCED SOLUTIONS**

Upon reviewing the Internet site requirements Clark and Stone had to make a decision between an in-house solution and an outsourced solution. Knowing that the existing IT staff member would not take up a full-time position at Barunga (due to family commitments), they considered hiring an additional IT employee to work part-time on the implementation of the web site. After some initial investigations, however, they ruled out an in-house solution due to the amount of uncertainty that was associated with it. They were, after all, a company that sold Aboriginal music; they were not e-commerce specialists.

An in-house solution would have meant additional costs, such as the purchase of several pieces of software – for example, a web-publishing package such as Macromedia Dreamweaver, Microsoft's SQL2000 database and a shopping cart application. Barunga also would have had to purchase a new computer, find a reliable broadband Internet service provider and potentially host its own web site. The thought of not having a reliable 24×7 site for online customers, catering for shoppers in different time zones, was enough to convince them to go for an outsourced solution. Using ANZ's BizSite service meant that no additional costs would be required for the purchase of new software or hardware.<sup>17</sup> The process of building the customer database would also be handled by BizSite<sup>18</sup> and the site

would be hosted on ANZ's web partner, MultiEmedia.com Ltd.

## **COST-BENEFIT ANALYSIS**

After weeks of research, Stone had become convinced that an online business model was the right way forward for Barunga. Clark, on the other hand, still wished to build a cost-benefit model to ensure that his original motive to increase sales would be achieved by the introduction of the online storefront. Table C3.1 outlines Clark's cost-benefit assumptions.

Clark gave the go-ahead for the project only after calculating that benefits would indeed outweigh costs within the first year of the web site being established. The most significant cost was the web development and the ANZ application fee, which was a one-off start-up cost of \$5000. Ongoing operational expenses totalled \$2239 in the first year and \$2099 in the second, as domain name hosting need only be renewed every two years with Melbourne IT.<sup>19</sup> It was also forecasted that a cost saving of \$1580 would be achieved by showing promotional material on the web site, rather than through traditional methods such as the postal system.

## **CONCLUSION**

Clark and Stone considered that Barunga's future web site would need to perform where their competitors had failed. Maintaining a parallel, almost seamless, strategy between the physical and virtual storefronts would be challenging but necessary.

To succeed, Barunga Music's web site must continually strive to meet the changing needs of customers. Internal intelligence gathered from site logs, such as the number of hits per page and consumer buying habits, as well as other demographics, will aid the development of personalised marketing campaigns that should inevitably help boost sales.

Clark believes that in the long term it may even be possible to go completely virtual, and dedicate the physical location as a place where musicians solely record music. But for now, the entrepreneur just wishes for the stage-by-stage development of a robust web site that has enough functionality to make him more money.

**TABLE C3.1 COST-BENEFIT ASSUMPTIONS**

	2002 FORECAST (\$)		2003 FORECAST (\$)	
<b>Revenue from e-commerce (net of transactions costs)</b>		<b>25 000</b>		<b>35 300</b>
<i>Less: Cost of goods sold</i>	(11 300)		(17 990)	
<b>Gross profit from e-commerce</b>		<b>13 700</b>		<b>17 310</b>
<i>Add: E-commerce cost savings</i>				
Promotional material (four hours/month at \$25/hour)	1 200		1 200	
Reprinting costs for photos for promotional material	380		380	
<b>Total e-commerce cost savings</b>		<b>1 580</b>		<b>1 580</b>
<b>Gross benefit from e-commerce</b>		<b>15 280</b>		<b>18 890</b>
<i>Less: Ongoing e-commerce costs</i>				
ANZ web hosting	(1 799)		(1 799)	
ISP	(300)		(300)	
Domain name registration	(140)			
<b>Total ongoing e-commerce costs</b>		<b>(2 239)</b>		<b>(2 099)</b>
<b>Operating benefit from e-commerce</b>		<b>14 675</b>		<b>16 791</b>
<i>Less: E-commerce establishment costs</i>				
Web development and ANZ application fee	(5 000)			
Research and development	(1 400)			
<b>Total e-commerce establishment costs</b>		<b>(6 400)</b>		
<b>Net benefit from e-commerce</b>		<b>8 275</b>		<b>16 791</b>

END notes

16. [www.bizsite.com.au/RegisterAndSubscribe/bizSitePackages.asp](http://www.bizsite.com.au/RegisterAndSubscribe/bizSitePackages.asp)
17. [www.bizsite.com.au/RegisterAndSubscribe/bizSiteFAQ.asp#1question0](http://www.bizsite.com.au/RegisterAndSubscribe/bizSiteFAQ.asp#1question0)
18. [www.bizsite.com.au/RegisterAndSubscribe/bizsiteFAQ.asp31question5](http://www.bizsite.com.au/RegisterAndSubscribe/bizsiteFAQ.asp31question5)
19. [www.melbourneit.com.au/help.php3?keyword=newpricing](http://www.melbourneit.com.au/help.php3?keyword=newpricing)