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CASE STUDY: GRADA PUBLISHING – WIDENING THE CUSTOMER BASE THROUGH ONLINE SELLING

Abstract

Grada Publishing, one of the largest publishing companies in Czech Republic, has successfully integrated internet-based sales with its internal editorial system. The main objectives were to shorten the supply chain and thus to improve customer service by fastening the flow of information. This was achieved by using a catalogue system, supplemented by enhanced functionality such as book browsing, information about authors, or book reviews. The company reports increased sales and customer satisfaction.

Case Characteristics	
Full name of the company	Grada Publishing, a.s.
Location	Grada Publishing, a.s., U Průhonu 22, 170 00 Praha 7, Czech Republic
Sector	Publishing (mainly book series)
Year of foundation	1991
Primary customers	Consumers
Most significant market	National and international markets (mostly in Czech and Slovak Republic)
URL of company	www.grada.cz (www.literatura.cz)
E-Business Focus	
Online sales	ä ä ä
Customer Relationship Management	ä ä
ä = in implementation stage; ä ä = used in day-to-day business; ä ä ä = critical business function	

Background and objectives

Grada Publishing, A.S., was established in the Czech Republic in 1991. Since then Grada has developed into the largest publishing company in terms of sales, numbers of newly marketed publications and the extent of business operations in both the Czech and Slovak Republics. The company has published almost 2,500 books (titles) with a total print run of about 10 million copies. On average, Grada publishes more than 250 new editions in about 20 professional fields every year.

In 2000/2001, the company's management decided to refocus its business on online services. The strategy was to use the internet as a supplementary distribution channel in order to support direct sales of all products. Business objectives were to attract more customers, improve internal information flows, enhance the quality of customer service, and gradually move from traditional book selling towards the more efficient online model. With this strategy, Grada hoped that it could also address new customer segments that have a preference for buying books on online and for online shopping in general. The company anticipated that this was an important trend in the book market, and that customer behaviour was moving in this direction.

E-business activity

Implementation

Based on these objectives and considerations, Grada Publishing started in 2000 to work on its own internet-based business portal. While the design of the sales system, particularly of the site structure and functions, was done internally, the development of the shop-system itself and web hosting were outsourced to external providers. The software solution was developed in close cooperation between Grada and the IT service provider.

The development of the underlying system needed about three months, with an additional three months used for testing and implementing the required changes. All the necessary modifications were identified through usability-testing with end-users, taking into consideration their suggestions and comments. The portal was finally launched in 2001.

Implementation costs

The outsourcing model was selected because of lower set-up and maintenance costs, and because of the need to comply with strict security standards. This required the expertise of an ICT service provider. The costs for the portal development were about 120,000 CZK (about 3,500 EUR in 2000), and annual updates cost about 30,000 CZK (about 950 EUR in 2004). These costs include the integration of the company editorial system with the business portal.

The catalogue product database was developed on the platform of MySQL. The main requirement was to achieve maximum independence and simplicity for portal updating or modification to be executed by the GRADA employees. This was achieved by integrating the web portal with the editorial system. The external company was in charge of adapting the web site's structure. All modifications were uploaded directly to the server by the GRADA employees. The web site is updated (i.e. new editions, information on new books published, etc.) and new newsletters are sent to registered users every week.

Since Grada Publishing only wanted to create an additional distribution channel, no organisational and technological changes had to take place within the company. The whole project fit into the existing system.

Extended functions: added value for customers

Further modifications were then implemented during the operational phase of the system, either as a result of the internal experience with the system (e.g. improvements proposed by Grada employees) or in response to customers' feedback. Thus, the portal functionality has been further extended. One of the most important modifications concerned new offerings for customers, providing added value to the mere ordering of books: customers can browse books (or parts thereof) electronically, and the site offers background information, for example about authors.

The marketing department of Grada is the main internal user of the new electronic sales system. Marketing is responsible for providing and updating the content for the website. Of particular importance in this context is the seamless integration of the

portal with the editorial system of Grada Publishing, since a substantial part of the content is directly available from this large database and not specifically collected and edited from other sources. The integration with the editorial system facilitates the regular updating of the content in an easy and straightforward way.

Users of the website: consumers, advertisers

There are two main user communities: consumers and advertisers. Consumers (who consider buying a book) are certainly the main users of the site. Their feedback has a big influence on the portal's further development. For companies or organisations that consider to be advertised in a book to be published by Grada, the website is also important and helpful, as it informs about forthcoming opportunities and conditions. Book advertisement is a part of the Grada business model.

The Grada business portal is based on user registration for CRM purposes. Currently, the portal offers the following functions and services:

- The electronic reporting system: it provides the company with information on the number, total price and specifications of orders, customer loyalty, customer segmentation, increases in the number of new customers and their orders, turnout monitoring. This system has been generating monthly reports since 2002.
- Electronic catalogue: a list of books with detailed information on each product, for example on the possibility of book browsing. Customers are informed about new releases. At present, 50% of all book titles available are sold online, which is approximately 870 titles. Of these, 482 can be browsed electronically on the website. The catalogue is enhanced by a high quality search engine, which combines key indicators (different areas, categories, etc.). An additional functionality is the option to download files with cases, examples etc. related to the content of a given book, e.g. tables in PDF, calculation models in XLS, etc.
- Suggestions for further reading: similarly to amazon.com, a list of recommended books (from the same author, on the same topic etc.) is attached to each product
- Information on the author and her/his books.
- Advertising: possibility of publishing advertising messages in the books.
- Contacts: possibility of sending questions to the Grada Company using web forms.
- Promotion activities: e.g. price offerings, competitions, sales.
- Sellers' support: information on prices and contracts for retail sellers.
- Buyers' support: purchase information, complaint policy and customer care.

Enhanced functionalities under consideration or development are:

- Discussions with authors about their books and issues presented or covered in the books.
- Authors' audio presentations: implementation has already started and is planned to become available by late 2005.

Impact and lessons learned

Impacts

Grada Publishing is very satisfied with the outcomes and impacts of introducing internet-based sales. In particular, the system has helped to increase sales and improve customer service:

Increased sales: The company reports that online-sales have increased annual sales by 45% and the number of new customers by 40% a year. These growth rates are regarded as a clear proof of the trend towards substituting printed catalogues by online presentation of the offer in the book market.

Improved customer service: Grada maintains that the online shop, which went operational in 2001, was key to significant improvements in customer service already in the period from 2002 to 2004, although enhanced functionalities, such as background information on authors, were added only later on. Moreover, online-feedback from customers has developed into a highly valuable instrument to "measure" customer satisfaction. Feedback and comments also help to adapt and further improve the system.

The following facts and figures further indicate the positive return on investment:

- The average order value has increased from 400 CZK (about 13 €) in 2002 to 600 CZK (about 19 €) in 2003, and 750 CZK (about 24 €) in 2004.
- The number of "returning customers" (those that order more than once) has increased by about 20% per year.
- The annual internet sales turnover in 2004 was 9.5 million CZK (about 300,000 €), which represents an increase of 35% compared to the year 2003.

Grada argues that communicating with customers and doing business over the internet has not only improved customer satisfaction and customer loyalty, but also increased the efficiency of information exchange (e.g. when dealing with special requests or questions), reduced delivery times, and decreased the effort for processing and publishing information material.

Lessons learned

Added value instead of reduced prices: Once the portal had been launched, the company management had to decide whether to use special price offerings or not. Despite the fact that many competitors initially made substantial use of special offers, it was decided not to offer any price reductions on the internet. Grada says that this turned out to be the right decision, and points at observations that most of its competitors that used special offers a few years ago have stopped doing so. It appears that companies would rather lose money by reducing margins through special online offers than profiting from increased sales volumes. Grada is convinced that added value for customers (in terms of convenience and service, for example by offering book reviews and book browsing, or by providing background information on authors) is the key to success and not reduced prices. These added value services cannot be offered by any traditional wholesale seller.

Customer expectations and the internet: According to Zdenek Jaros, Grada marketing manager, the most important lesson learned was that doing business online has become critical for customer satisfaction. Today, customers increasingly expect that a vast amount of information about products, sales conditions and where to get help is available on the web. To meet customer expectations, Grada tries to regularly update and upgrade the functionality of the website, and the way how the content is presented. Innovations reflect customers' preferences and expert opinions. Grada has conducted usability studies involving users of the site and external experts since 2004 in order to assess requirements and opportunities for improvement.

Threat of spam: Another lesson learned from some negative experience relates to the protection against spam and unauthorized use of e-mail addresses. All e-mail addresses on the website have been replaced by web forms.

References and acknowledgements

This case study was conducted by Radoslav Delina (radoslav.delina@tuke.sk), Technical University of Kosice, on behalf of the *e-Business W@tch*.

References

- Interview with Ing. Zdenek Jaros, Head of Marketing Department, January 24, 2005.

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