B2C Success at Wishlist.com

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BACKGROUND OF THE BUSINESS

This article explains how and why, during and through the dot.com bubble that was built and burst, one new economy company in Australia survived and prospered. The challenges were severe. The infrastructure, funding for development, and consumer behavior were key challenges that had to be overcome.

Between 1999 and 2000, around 190 Australian companies evolved selling something over the Web. In early 2000, local e-tailers such as Dstore, ShopFast, ChaosMusic, TheSpot.com, and Wishlist.com.au were being discussed as shining examples of a new way of retailing: smart, aggressive companies that were showing traditional retailers how to operate in the new economy (Kirby, 2000). Then it all started going wrong. Examples are as follows:

- ChaosMusic's shares, issued at $1.40 in December 1999, finished from 1999 to 2000 at $0.28 as the online music retailer slashed its marketing budget and staff.
- The share price of Australia's other online music retailer, Sanity.com, peaked at $2.05 soon after the company was listed in December 1999; on June 30, 2000, it was $0.44.
- On June 29, 2000, Australia witnessed its first major e-tailing failure when the department-store retailer David Jones acquired the assets of TheSpot.com, a toy and health and beauty products e-tailer that ran out of money after spending $12 million in 14 months.

Later in the same year, on November 28, 2000, the founders of Wishlist.com.au, Huy Truong and his sister Jardin Truong, accepted an award at the Australian Internet Awards ceremony for the most entrepreneurial Internet site, an award given for an Australian Internet-related achievement that is innovative, provides strong current or future financial returns, and demonstrates rapid business expansion via a unique business strategy. The site also won as the best e-commerce site on the Web. The head judge said, "Wishlist didn't follow the standard supermarket model on the Internet. It's an adaption of a gift store buying presents for other people not just for yourself."

He said the judges were impressed with the novelty of the delivery model, whereby Wishlist.com.au had arranged with the oil company BP to deliver parcels to BP service stations that can be picked up by customers at anytime (Lindsay, 2000). Huy Truong was also awarded *B&T Weekly's* 2000 e-Marketer of the Year Award.

Golden, Hughes, and Gallagher (2003) conducted a descriptive study that examined the key success factors related to e-business in the retail sector of Ireland. Through their postal survey, they found that the early adoption of Internet technologies and information systems expertise were important factors in contributing to success. Loane (2004) has suggested that there is now significant evidence that many new firms are embracing the use of the Internet from their inception. This is clearly the case with Wishlist.com. They suggest that the Internet is not just an improvement tool but a core capability, including IT competency.

Global Reviews, Australia's online retail performance and reliability gauge for e-consumers, in December 2001 stated that Wishlist.com.au was the standout Australian online retailer, achieving an overall score of 97%, with a perfect rating in four of the five evaluation categories: fulfillment, site usability, security, products, and customer service.

DESCRIPTION OF THE BUSINESS

According to cofounder Huy Truong (personal communication, September 15, 2003), Wishlist has succeeded because it is "[n]ot just a Web site you go to for a discount. We are building an online shopping experience around important events in people's lives."

Wishlist also provided a convenient corporate gift-giving service, which proved popular. Companies can give employees and customers goods and services, which might often be seen as nice indulgences, purchased as gifts from Wishlist.

The Truong Family

Jardin Truong and her brother Huy were young when they arrived in Australia in 1978 after escaping Vietnam in a leaking fishing boat with their parents, younger sister Dinh, younger brother Cameron, and five other families.

Getting Started

Jardin Truong dreamt up the idea for a business that could take orders for gifts using the Web, making sure that deliveries met deadlines. Wishlist was founded in late 1998 to realise this idea.

Gift giving was an opportunity that was already being exploited in the United States, but Jardin and Huy recognized that people did not always find it a fun and enjoyable process, sometimes forgetting special occasions and finding themselves in the pressured situation of trying to get the right gift in a short amount of time. They thought they could "[p]ut the fun back where it ought to be, which is in the giving of the gift, and then for everything else before that [they would] use technology" (Huy Truong, personal communication, September 15, 2003).

The idea captured the imagination of the cofounders, including Huy Truong and his wife, who is a management consultant and e-commerce expert with Price Waterhouse Coopers, and their brother-in-law David Pope, a multimedia expert, who would design the site.

The business plan was developed in January 1999, and the cofounders left their jobs in March and April 1999 to start work on its implementation. Between them, they invested around $80,000 along with free labor, and worked from a room in North Melbourne with a weekly rent of $35. They also gained seed funding of around $1.25 million.

Money was successfully raised on the basis of their business plan, which predicted that profitability would be achieved in 4 years, by 2003, and of the high-calibre team that would be managing the venture.

The Wishlist.com.au Web site was first launched in July 1999. At around the same time, the team undertook a further round of capital raising to get the funds that would enable them to rebuild and scale up the site, and to launch a campaign for Christmas 1999.

The site had 50,000 to 60,000 people visiting each month in its first 3 months of operation, and by Christmas 1999, Wishlist.com.au was delivering gifts to around 30,000 homes.

In April 2000, they successfully raised a further $15 million in capital to scale up the business, making investments in online ordering and fulfillment operations in terms of staffing and infrastructure, followed by another $10 million to buy out the failing Dstore 18% shareholding in Wishlist.

The founders have evolved their business model through various alliances and acquisitions, and through the development of other services and reward programs for partners.

According to Huy Truong (personal communication, September 15, 2003):

What we are doing is a totally new industry with few established rules—we have had to invent it as we have gone along. Although we had access to capital markets, technology and customers like any other business, it is how we have harnessed it to benefit the company and customers. There is no "corporate DNA" which defines why and how we do things—we are in the process of creating our own.

Truong (personal communication, September 15, 2003) also said, "You must have a strategy—not a 100 point plan. The sustainable competitive advantage is being able to change—the environment today is different to when we started. Strategy evolves."

Developing a Customer Base

Huy and Jardin decided that there were two options for their online retail business: Be really product driven or build a business around a consumer need. They thought that the latter would be a higher risk but was more sustainable in the long run.

From the outset they counted on two revenue streams: corporate gifts and individual gifts for customers located mainly on the eastern seaboard of Australia. Another distinct customer segment also emerged when orders started arriving from Australians overseas who wanted a gift delivered to friends or family in Australia in their absence.

Getting Traffic

Wishlist had to compete for consumer attention at a time when competitors like Dstore were spending big dollars, believing that a large marketing budget would generate sales growth that would then lead to profit. From June 1999 to June 2000, Dstore reportedly spent $4 million on media advertising, with 40% of it spent on television, resulting in unprompted customer awareness of 20%, but apparently only resulting in $250,000 in sales (Howarth, 2000).

The Truongs preferred to take a less costly approach to building their brand, believing that there were much smarter ways to drive revenue and attract and keep a loyal customer base. They implemented a number of coordinated strategies that provided discount incentives to get

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