



Chapter V

The Rise and Fall of a Dot-Com: Lessons Learned from LivingCo¹

Judy E. Scott
University of Colorado at Denver, USA

EXECUTIVE SUMMARY

LivingCo was founded with a vision of revolutionizing the U.S. furniture industry by exploiting technological opportunities. It won accolades for its innovative Web site and generated considerable consumer interest, becoming at one stage one of the most highly trafficked sites on the Internet. Oracle named LivingCo a poster child because it was one of the first e-tailers to successfully deploy their software in both the front and back ends of the business. Furthermore, industry analysts considered many of its strategic plans promising. However, LivingCo ran into problems coping with overspending, high traffic on its Web site, integrating its technology with its subsidiary, suppliers who were wary of channel conflict and customers who were, in general, slow to adopt the new way of shopping for furniture.

ORGANIZATION BACKGROUND

During the dot-com boom, entrepreneurs were encouraged by plentiful venture capital, high stock market valuations and the opportunity to create an industry-wide impact. The U.S. furniture industry had a \$55 billion domestic market in 1999, and \$63.5 billion in 2001 (Craver, 2002; Ryan, 1999). When accessories such as linens and kitchenware are included the market is in the \$150 to \$200 billion range, much larger than the \$25 billion book and toy industries (Ryan, 1999). In 1998, in the off-line furniture and

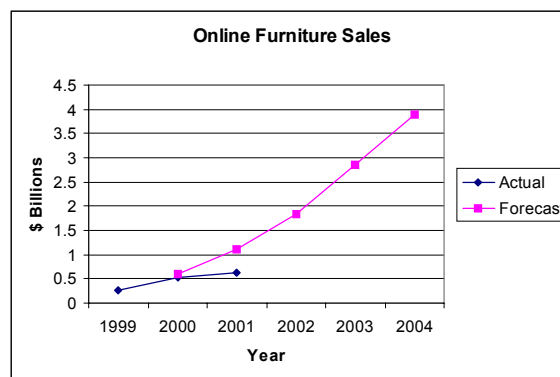
home goods industry, no single company had more than 2% of the market. Because of the market fragmentation and potential market size, several dot-coms launched Web sites from 1997 to 2000, hoping to become the Amazon of the furniture industry.

Early forecasts of U.S. online sales of home goods and accessories were overly optimistic. Forecasts included \$595 million in 2000 (Ginsburg, 2000); \$750 million to \$1 billion for 2001 (Craver, 2002; Chabria, 2001); \$3.5 billion by 2003 (Dubow & Sareen, 1999); and \$3.884 billion in 2004 (Buchanan, 2000). However, actual sales were \$268 million in 1999, \$542 million in 2000 and \$625.2 million in 2001, representing less than 1% of the furniture market. Figure 1 illustrates diverging forecast and actual online furniture sales in 2001.

Start-ups were motivated by virgin territory, high profit margins and demographics of the furniture business (Quinn, 2000; Ginsburg, 2000). The exploding U.S. economy in the late 1990s produced endless streams of young families looking to buy furnishings for their new homes (Sandoval, 2000), and baby boomers, in their peak earning years, were buying not only bigger homes but also second homes. Gen-Xers, meanwhile, were just entering the market (Ginsburg, 2000). Furniture customers' median age is 38; about 67% are female; 57% are married; 72% are white-collar professionals; and 70% work more than 35 hours per week. The median household income of online furniture buyers is \$77,729, much higher than that of the \$38,885 median household income of the U.S. population (Quinn, 2000).

The incumbents in the industry felt threatened by the invasion of dot-coms, who vowed to revolutionize the way consumers buy furniture and challenged the industry by complaining about the service and describing the shopping experience as frustrating (Stuart, 2000). They played an important historical role by proving that people would buy online. The threat they posed forced traditional retailers to venture online and caused furniture manufacturers to reevaluate their policies concerning e-commerce. For example, in 1999, Lifestyle Furnishings International unveiled a program to help retailers set up their own Web sites, while La-Z-Boy and Ethan Allen announced plans to begin online sales. They planned to implement a click-and-mortar approach, protecting retailers by allowing local dealers to deliver online orders and be credited with those sales (Kenyon, 2000).

Figure 1. Actual and forecast online furniture sales



Source: Ryan, 1999; Ginsberg, 2000; Buchanan, 2000; Craver, 2002

17 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/rise-fall-dot-com/6478

Related Content

A Motive Analysis as a First Step in Designing Technology for the use of Intuition in Criminal Investigation

Ingerid Rødseth (2011). *Sociological and Philosophical Aspects of Human Interaction with Technology: Advancing Concepts* (pp. 276-298).

www.irma-international.org/chapter/motive-analysis-first-step-designing/54144

Mobile Work Efficiency: Balancing Between Benefits, Costs and Sacrifices

Heli Väättäjä (2012). *International Journal of Mobile Human Computer Interaction* (pp. 67-87).

www.irma-international.org/article/mobile-work-efficiency/65862

Inventing Use for a Novel Mobile Service

Petteri Repo, Kaarina Hyvonen, Mika Pantzarand Päivi Timonen (2006). *International Journal of Technology and Human Interaction* (pp. 49-64).

www.irma-international.org/article/inventing-use-novel-mobile-service/2882

Collaborative Virtual Learning for Assisting Children with Cerebral Palsy

Nia Valeria, Marlene Valerie Luand Lau Bee Theng (2011). *Assistive and Augmentive Communication for the Disabled: Intelligent Technologies for Communication, Learning and Teaching* (pp. 127-158).

www.irma-international.org/chapter/collaborative-virtual-learning-assisting-children/53567

Human-Information Interaction and Technical Communication: Concepts and Frameworks

Anabela Mesquita (2013). *International Journal of Technology and Human Interaction* (pp. 96-98).

www.irma-international.org/article/human-information-interaction-technical-communication/76369