IGI PUBLISHING
ITB14432
701 E. Chocolate Avenue, Suite 200, Hershey PA 17033-1240, USA
Tel: 717/533-8845; Fax 717/533-8661; URL-http://www.igi-pub.com
This paper appears in the publication, **Cases on the Human Side of Information Technology**
edited by **M. Khosrow-Pour © 2006, IGI Global**

Chapter V

The Rise and Fall of a Dot-Com: Lessons Learned from LivingCo[1]

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

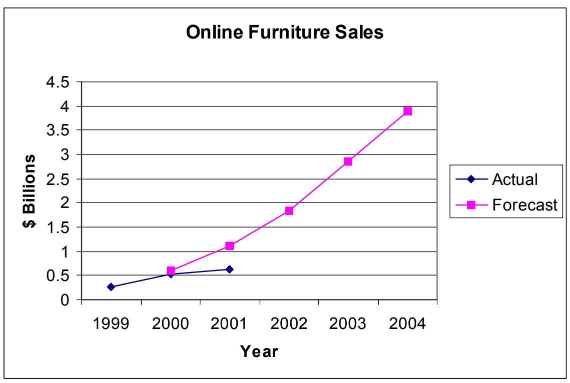
During the dot-com boom, entrepreneurs were encouraged by plentiful venture capital, high stock market valuations and the opportunity to create an industry-wide impact. The U.S. furniture industry had a $55 billion domestic market in 1999, and $63.5 billion in 2001 (Craver, 2002; Ryan, 1999). When accessories 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

Related Content

Analyzing Social Emotions in Social Network Using Graph Based Co-Ranking Algorithm
Kani Priya, Krishnaveni R., Krishnamurthy M.and Bairavel S. (2020). *International Journal of Technology and Human Interaction (pp. 23-33).*
www.irma-international.org/article/analyzing-social-emotions-in-social-network-using-graph-based-co-ranking-algorithm/247035

Bringing Service Standards to Life
Julie Kwan, Stephanie Clarkand Steven W. Villachica (2019). *Human Performance Technology: Concepts, Methodologies, Tools, and Applications (pp. 1003-1024).*
www.irma-international.org/chapter/bringing-service-standards-to-life/226603

Formation Transformation Based on Leader-Follower Algorithm
Yanyu Duan, Zhiqiang Gao, Zhensheng Peng, Wenshuai Yangand Yun Wang (2019). *International Journal of Technology and Human Interaction (pp. 28-46).*
www.irma-international.org/article/formation-transformation-based-on-leader-follower-algorithm/227400

Mobile Government in Saudi Arabia: Challenges and Opportunities
Anan Alssbaiheenand Steve Love (2016). *International Journal of Mobile Human Computer Interaction (pp. 18-37).*
www.irma-international.org/article/mobile-government-in-saudi-arabia/154074

Internet History
Raphael Cohen-Almagor (2013). *Moral, Ethical, and Social Dilemmas in the Age of Technology: Theories and Practice (pp. 19-39).*
www.irma-international.org/chapter/internet-history/73608