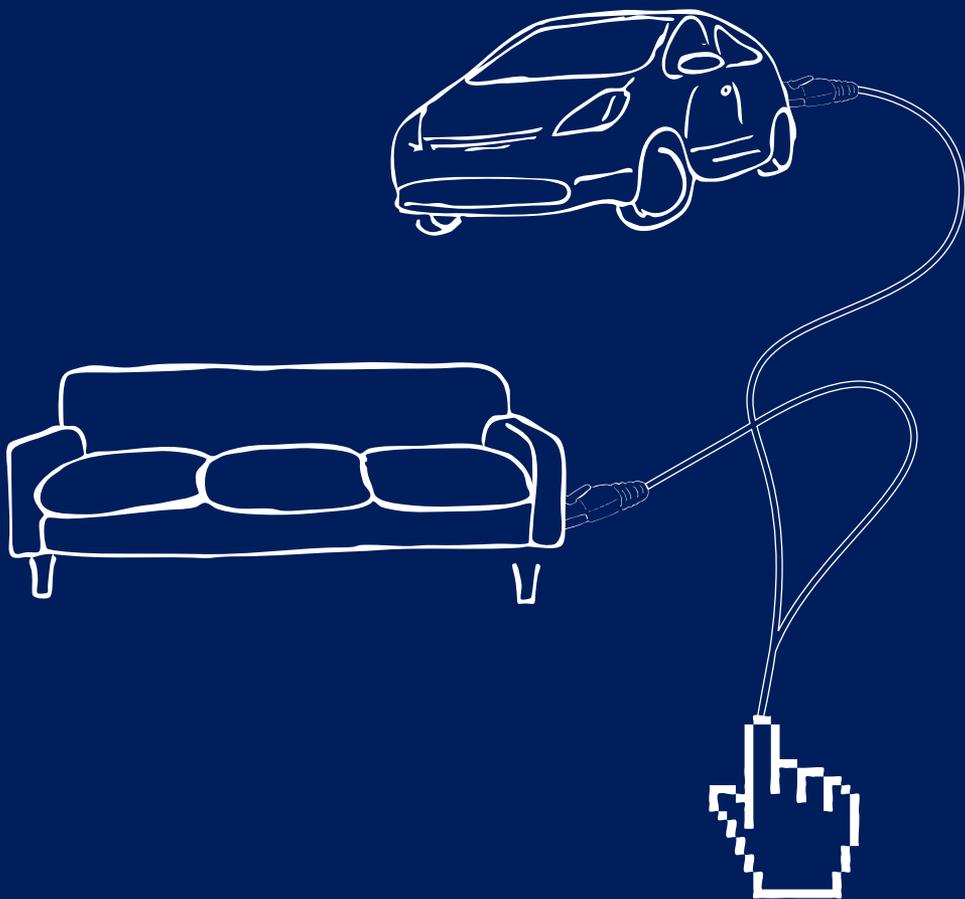BUY FURNITURE ON
THE INTERNET????
RIGHT, AND PICK UP A CAR OR TWO
WHILE YOU'RE THERE!

Nobody would ever buy furniture on the internet. The idea that you could sell furniture over the web makes as much sense as believing you could sell cars online. After all, would anybody in their right mind actually buy a car from an internet dealer? Of course not. Granted, they might search the web to gather information about the reliability and price of the car, to read comments previous owners make about it, and to locate nearby dealers. But then they'll go in person to a real dealership, speak with a real salesperson, test drive a real car, and then make a real decision.

If you believe this, then you're right…..sort of. Consumer research shows that 53% of car buyers use the internet as their primary source of information before purchasing a vehicle. But many consumers—a lot of them—are actually buying cars and trucks online. More than 2 million vehicles have been sold on eBay motors alone. What's more, over 70% of eBay used cars are sold to out-of-state buyers. So not only are people buying big ticket items online, they are also traveling a considerable distance to collect their purchase. What's up with that? Just as a test, we did a quick search on eBay for "car" and found 62,640 automobiles for sale with prices ranging from less than $10,000 to a 1959 Chevy Impala listed for $459,000. That's right, almost half a million dollars.

Impressed with our findings about cars, we then searched eBay for "furniture." This turned up 9,290 items including such things as a Henkel Harris bedroom set (for a cool $20,000) and a four piece set of German solid oak furniture (also for $20,000). Still think no one buys "big ticket" items without test driving them or sitting on them or touching them?

The internet has changed everything. This communication medium has significantly changed the way business is transacted. As part of this change, it seems that every firm (and many individuals, for that matter) has its own web site.

Our goal isn't to tell you how to develop or improve your web page. Instead, we want to talk about what your web page should do. Should you use it to advertise your products? Or should you allow customers to make purchases via your web page? Only you can answer these questions. But in the next few pages we'll give you some things to consider while arriving at your answers.

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Why do I need to worry about selling online?

"Selling online" is much more than e-commerce, or conducting a financial transaction by electronic means. "Selling online" refers to all the activities related to producing sales as to the sale itself. Even if you choose not to conduct actual sales transactions online, a great web site can be an effective way to target potential customers, to educate and inform them, and to influence purchase decisions by driving the customer into your brick and mortar store.

As that great American philosopher, Bob Dylan, once said, "the times, they are a changin'," and they are changing fast. The U.S. had 208,907,282 internet users as of March, 2007—that's almost 7 out of every 10 people in the country. This is up from 124,000,000 users, or 44% of the population in 2000. This rapid growth will actually increase as more households gain broadband access to the internet. Jupiter Research projects that by 2010, 78% of online households in the U.S. will have a high speed connection to the web. Maybe the following statistics best illustrate just how fast things are changing: it took the telephone 38 years to reach 50 million users, television needed 13 years to reach 50 million users, but the internet required only 4 years to reach this same number of users. Moreover, these users are doing much more than simply "eye balling" web pages. In 2006 online sales rose 29% to about $146.4 billion, which is 6% of overall U.S. retail sales, excluding travel. If travel is included, total online sales in 2007 are expected to reach $259.1 billion.

These figures are for total internet sales. What do they mean for retailers selling big-ticket, complex products such as furniture? According to Benchmark Capital, total revenue from online sales of large items, including furniture, appliances and home equipment, increased 34% during November and December 2005. For all of 2005, Forrester Research reports that Americans spent $8 billion dollars online for furniture and home furnishings. This accounts for about 7% of home furnishings sales. What's more, this is a trend, not a fad. Scott Perry, CEO of EverythingFurniture. com says, "Buying furniture on the Internet is here to stay and growing fast as consumers embrace the channel for furniture. Our online business has increased more than 1,000 percent over the past three years, landing us in Inc. Magazine's Top 500 fastest-growing privately held companies in the U.S. this year."

Why people shop online

According to the results of a 2006 survey by PriceGrabber.com, a major shopping comparison engine, 74% of respondents said they will research furniture online

before making their next purchase. This gives retailers a great opportunity to use the internet to capture shoppers' attention and start the purchase process. And studies clearly show that shoppers who have a positive experience with a particular retail web site are more likely to purchase online. The key point is to make their search a positive experience.

To do this, the retailer has to give consumers what they want if the "online researcher" is to be converted to an "online purchaser." Surveys of consumers have identified the top 3 motivators for purchasing furniture online: better prices, the option of free shipping and delivery, and convenience of home shopping.

It is very difficult for a brick-and-mortar store to under price an online retailer. In most cases electronic store fronts have lower overhead costs and can ship directly to the customer. In addition, shipping times are often reduced because the electronic merchant ships from regionally located warehouses or distribution centers. Elite Home Furnishings, an online retailer selling all types of American home furniture, is a good example of a lower-cost seller. The company provides customers with quality furniture at substantial savings because of a streamlined online business process. These lower prices are coupled with great customer service. Not surprisingly, this company has loyal customers who are

repeat buyers and who provide favorable free word-of-mouth advertising. The folks at Elite Furniture sum it up very nicely when they say: "As soon as it became apparent that online retailers can offer comparable American home furniture at much better prices and with high quality customer service, it was only a matter of time before consumers caught on and the Internet changed the face of American home furniture".   Another advantage for the online merchant is the ease with which shoppers can compare prices.

Online shoppers also like free shipping. Once again Target is on the mark. Although selected items are listed year-round, during the 2006 holiday season alone, Target offered free shipping on more than   3,000 items. Admittedly,   "free shipping"

price: $200.00
shipping: $300.00

is a risky proposition. This may be the one "most important" issue on which consumers will compromise. It appears that customers are willing to pay a fair price for the convenience of in-home delivery of furniture. But this is a fine line, and retailers should be careful about excessive shipping and delivery fees. If, for instance, the shipping fees are more than the cost of the product(s), then customers are likely to react negatively (as in canceling the order and not

returning to the site). Remember Pets. com, one of the poster children of the 2000 dot-com bubble? One reason this company failed was that it charged high shipping costs in an effort to offset low product prices. It didn't work then, and it won't work now.

Shopping on the web is convenient. You can do it in your pajamas and the "store" is always open, 24 hours a day, 7 days a week. Also, some consumers are intimidated by salespeople, or not confident enough to ask questions. These shoppers may feel more comfortable communicating in real time with an online company representative, or through e-mail. Or if they prefer, and if the retailer is very sharp, they can go to the "Frequently Asked Questions" (FAQ) section.

Convenience also includes control. As in the case of price comparison shopping, the online shopper is in control of how much or little information to gather from the internet. With the advanced technologies available to today's web designers, retailers can make a wide-range of information accessible. For example, it is not difficult to provide the consumer with detailed, in-depth product specs, virtual room designs at the click of a mouse, and a selection of products that literally number in the thousands. Customers can type in room dimensions and create virtual rooms online where they are free to change furniture, colors, fabrics, rugs, and accessories at will.

Convenience also includes a very wide variety of products from which to select. Online retailers can offer a huge selection because they don't have to inventory all of their products in stores. One of the leading online furniture retailers, EverythingFurniture.com, offers more than 50 brand name furniture manufacturers' products. CEO Scott Perry attributes much of his company's success to its ability to offer one of the largest selections of furniture on the internet. How many brick-and-mortar stores could afford to offer this much variety? Basista Furniture has a slightly different model of "selling" over the

> Online retailers can offer a huge selection because they don't have to inventory...

internet although it too stresses variety. Their web site is an informational tool used to showcase many different furniture brands. Direct links to each brand's web site are provided. The customer visits as many sites as he or she wishes, decides what to purchase, and then contacts Basista, either by phone or e-mail, for a price quote (which includes shipping charges).   Peter Gichuhi, president of Buildbedroom.com, said that offering one of the largest selections of any online furniture and bedding web sites has been the major impetus in the continued success of their company. Gichuhi's company lets customers select furniture and bedding from more than 20 leading furniture retailers.   The retail giant Target offers more than 5,000 pieces of

furniture online, most of which are not displayed at stores. Here's where Target gets very creative: customers who buy online can return furniture directly to their local Target store if they are dissatisfied. Convenience, control, and variety.

Why people won't shop online

We've given several reasons why shopping online is advantageous to the consumer. Now let's take a look at some of the barriers and/or problems associated with internet shopping. Many of the reasons cited for not buying furniture online are the same ones that apply to the online purchase of automobiles, and are related to real or perceived risks of purchasing online and fear of buyer remorse.

Surprisingly perhaps, lack of trust is not a major barrier for many potential furniture online shoppers. In fact, PriceGrabber.com found that only 11% of their respondents avoided shopping online because of trust issues. The major

reason for not buying furniture online, at least according to 70% of those interviewed, was the need to see, touch, and sit on the actual product. But the auto industry seems to have found a way around this problem: did anyone ever believe a person would buy a car without test driving it? We know from eBay that a lot of them do. Instead of fighting it, the car industry has embraced the web as an educational and marketing tool. Go to any brand's web site and see how much information is there to help increase the consumer's product knowledge. Potential buyers usually can design their own car, as well as find out how much it will cost. Then they type in their zip code and a list of convenient dealers pop up. The furniture industry could adopt a similar approach for furniture shoppers. One way to do this would be through the use of virtual design systems that bring furniture and rooms to life. These 2D and 3D interactive design systems allow users to create completely furnished rooms. Moreover, they can view their creation from any angle, zoom in on fabrics and coverings, and rotate and move items at will. At a minimum, this should help entice the customer to the showroom where one can touch, feel, and sit on the furniture.

Uncertainty is another reason some buyers are hesitant to purchase furniture online. Not surprisingly, consumers have a great deal of uncertainty about purchasing complex, big-ticket items, such as furniture, online. Here again
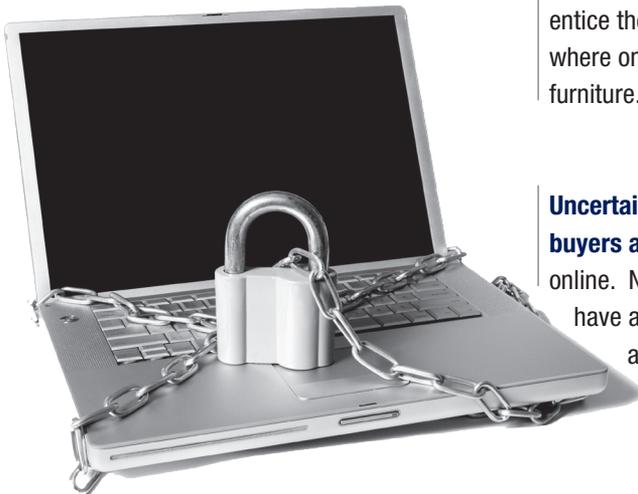
the importance of giving the potential buyer a great deal of information comes into place. Sellers can reduce buyer uncertainty by providing detailed product and product use information and guides online, testimonials from satisfied customers, easy access to customer service representatives, and liberal return policies. Something as simple as including a contact phone number on the web site helps assure the customer that someone will be available to answer their questions and resolve any issues that may arise.

As we said earlier, trust is not the major barrier to online furniture purchases. But it is an issue that must be addressed. Once again this is not an insurmountable barrier. The retailer can show "good faith" by clearly stating delivery procedures and delivery costs on the web site. Also, a frequently-asked questions section that contains clear, specific information about warranty and recourse policies for defective products or customer dissatisfaction also indicates the seller has nothing to hide. A rating system where customers can share their experiences with the company, their opinions of products and sales transactions, can also help build trust and reduce risks.

Many potential online buyers worry about internet security and the chance that personal information will be stolen or leaked by online payment transactions. These fears appear to be badly overblown.

According to the Better Business Bureau, internet use does not increase the risk of identity fraud. The Bureau further notes that 90% of the incidents in which personal data are compromised take place through traditional offline channels. Yet many people—far too many people —never let facts stand in the way of their opinions, which is another way of saying the widespread fear of buying and selling over the internet must be addressed. Among other things, you'll want to have the Secure Socket Lays (SSL) protocol in order to create a safe and reliable communication channel between your server and the buyer's computer. This also means your web address will begin with "https," instead of simply "http." The "s" tells the consumer that your site is safe and secure, and is an excellent marketing tool.

A few other considerations

While many retailers have achieved amazing results from offering online sales, there are very real and unique logistical and service requirements involved in doing this. For whatever reason, customers seem to expect more from online merchants. If a retailer hasn't worked out all the kinks before going online, then the potential customers are likely to become frustrated, and even angry. Remember, the main reason for purchasing online is convenience and if the transaction isn't completely satisfactory, then the customer quickly loses patience.

If you would like more information on the Franklin Furniture Institute, check out our web site at ffi.msstate.edu or contact:

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Is online selling right for you?

Should furniture retailers have a web presence? In today's interconnected world, and with tomorrow's dominant group—the huge number of people who make up Generation Y, the most media-savvy, multi-tasking generation ever—the answer to this question is a resounding "yes." The more difficult question is "do we offer online sales?" There is no clear answer to this question. Certainly there are considerable costs associated with internet sales, and the risks are very real—success of internet sales is not guaranteed, as evidenced by many companies who have tried and failed. The good news is that a retailer doesn't have to dive right into selling online. Companies can test the waters by upgrading their web site with numerous features such as interactive room planning, video presentation, and increased product offerings. Then you can gradually move towards offering specific products online. The bottom line is that the web offers a large number of ways to reach your audience. How your company utilizes the internet and the new visual and interactive technologies available today must be an important consideration in today's super-competitive global environment.

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