Furniture: A Facilities Management .COM Odyssey

By Eric Teicholz

Along with just about everyone else in the FM world (or any other 'space' for that matter), this author has been spending the last year trying to make sense of the web, e-commerce and how it will effect facilities management. Being the head of an independent technology consulting group did not present itself with any obvious e-commerce venues so I started to look around for a way to educate myself as to what this world is all about. This is a summary of some of the things that I have discovered during this still on-going journey.

For a destination web-site to be successful, it must both attract and hold customers. In Internet jargon, it must be sticky to attract eyeballs. Various benchmarks are used that measure who visits a site, for how long, and what they do while they are there. Venture Capitalists (VCs) seem to care much more about an exponential growth of these benchmarks than the "bottom line" of the business itself – although this seems to have changed somewhat since New Year's day. This driving force to acquire and keep customers coming to the site is what leads .com companies to violate the most common business logic that bricks-and-mortar companies must adhere to. It also means that destination sites must offer more than just single product sales. Sites therefore try to create forums, discussion groups, product information feedback/rankings, give stuff away or do just about anything else to get and keep people coming to the site.

In the FM world, certain things make sense for e-commerce. For example, it seems obvious that project web-sites will soon start selling (probably through some auctioning format) construction materials and services. Energy, now that it is deregulated, is also another obvious candidate. Any product or service where orders can be pooled and then auctioned off is a likely candidate for the e-commerce.

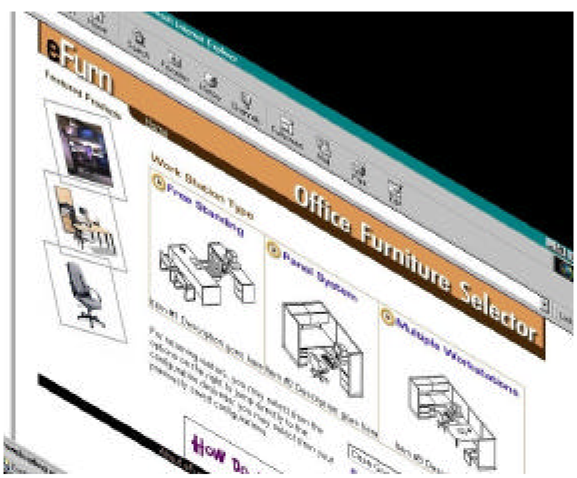
Bricks-and-Mortar Furniture

The office furniture market generates at least $32 billion annually and consists of Grade A (large contract), Midmarket (small contract) and budget categories. Large corporations comprise 25% of the total market. The need for office flexibility has resulted in panel-based systems to replace casegood desks found in fixed wall offices. Panel systems (currently representing over a third of the market) usually require electrical and network wiring and require experienced furniture dealers to perform design, specification and installation services. Thus, at present, manufacturers rely on the 7,000 to 10,000 distributors and dealers that comprise the current furniture distribution channel. Since 1970, the number of small dealers have continued to decrease and the remaining dealers have formed alliances with manufacturers, distributors or large buying groups to remain competitive.

Changing Times

Perhaps the most dramatic change in the furniture industry today relates to its sales and fulfillment cycle. In the past, it took several months for a client to work with a dealer doing the design, placing the order and installing the software. In today's business climate, this time line is unacceptable and is being replaced with a cycle of several weeks. Various "Quick Ship" programs, whereby manufacturers offer limited options and finishes in order speed delivery, have been initiated. Dealers need to operate more efficiently and are naturally turning to automation. Additionally, retail stores such as Staples and WB Mason are beginning to offer interior design services so that panel systems, as well as casework, can be sold to businesses.

Efurn.com



The Business-to-Consumer (B-C) furniture market has not been very successful on the Internet so far. Customers simply do not have the expertise to order expensive and sophisticated furniture. It is estimated that over 20% of B-C furniture sold on the Internet is returned. Business-to-Business (B-B) service models, however, are all the rage with Venture Capitalists today.

The author was approached recently by the President of Facet, Inc., a 14 year-old provider of automation services for the furniture industry, to assist the company in its migration to efurn.com on the Internet. Facet derived revenues from selling 3-D furniture design software, manufacturers' databases, and specification software to over 2500 dealers.

Efurn (http://www.efurn.com), founded by Otto Buchholtz and Al Hart, was established to be, to use more Internet parlance, a B-B furniture ASP. The Application Service Provider (ASP) model means that Efurn will be offering services (either themselves or through partners) that relate to all aspects of the life cycle of furniture – from visualization to design, and including pricing, specification, customer management and, through auction, disposal. Relationships are being forged with distributors, installers and related ASPs. This could never be possible without the Internet.

There are probably a dozen other companies racing to become THE B-B furniture ASP site. The race is usually to the swiftest (time is measured in Internet-time) and best financed. There is usually no reward for being second or third in this hectic race. No one knows if Efurn will be THE furniture destination site but, for this author, it has been one heck of an Odyssey.

About the Author

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