

Hot Innovator

Furniture sells online

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By Patrick Stafford

Designer furniture, ordered online, has given Milan Direct a market niche and founder Dean Ramler 20% month-on-month growth.

After graduating university, Dean Ramler was taken in by the designer furniture craze while travelling through Italy. After trying to find a replica piece in Australia, he discovered providers were hard to come by, and prices were just too high.

After getting some help from friend Ruslan Kogan of Kogan Technologies, who already set up an exclusively online business, Ramler launched Milan Direct. The group sells designer furniture replicas, ordered direct from Chinese factories and delivered straight to customers without the normal middleman of a furniture retailer.

Ramler claims this allows Milan Direct to sell furniture for up to 40% less than its competitors. The group offers up to 80 products, ranging from designer lounge chairs to a range of clocks due for release in January.

But he says it was a background in furniture construction that gives Milan an advantage. Ramler's grandfather began a furniture business 50 years ago, and his father and uncle are now running the family business, Ramler Furniture.

He says this experience has taught him the value of manufacturing, but he adds: "Anyone can buy from China or order online, but it's our background and expertise in how to manufacture furniture that our competitors don't have."

The group's customer base seems to like the model – around 30% to 35% are repeat customers. The business consistently records 20% month-on-month growth, with revenue for 2008 expected to be \$5 million.

Challenges of the cut-price model

But a business model that relies on providing the lowest possible cost can be challenging, particularly when the dollar is plummeting in value.

"The biggest challenge currently is keeping our cost down to a minimum. We're always trying to have the best price, not by just a couple of dollars but by 30% or 40% each time. But our suppliers are putting prices up at the same time we're trying to pull them down. Given the last three months, people have much less money to spend so you have to provide the best value."

Ramler says gaining leverage over your suppliers is the key to getting costs at the level you want. But in order to do so, businesses need to really work hard at emphasising their key strengths.

"We go and tell them, 'we're Australia's largest supplier of modern classic designer furniture', so we can go to the factories and say this is the order we want to place at this price. If they don't want the order, the next factory will," he says.

"Our orders have kept on doubling each month, so our bargaining power has gone up so much – now we've got the advantage of going to our suppliers and getting the prices down."

Back it up

Of course, doing business in China is never easy and there are countless stories of Australian entrepreneurs being bought unstuck by cowboy operators. Ramler learned a fundamental lesson – the only worthwhile contract is one written on paper – the hard way.



"The lead in one particular deal was fantastic, but we didn't have it in writing. When the invoices came three or four months later, we actually lost \$20,000. Our warehouse partners told us that we had certain prices and that wasn't the case.

"Another big challenge is managing our transport companies," Ramler says. "It's no good selling a great chair at a great price if the delivery stuffs up. So we've actually had to move warehouses a few times and change transport companies because we're always looking to find the best providers. It's tough."

Ramler says investigating suppliers carefully and hiring the right people will help your business in the long run.

"We've got a team of fantastic staff and the business wouldn't run without them. Being an online business, our customers will send us an email and they'll get replies 24 hours a day, as we have uni students who prefer to work nights. Traditional brick and mortar stores can't compete with that."

The power of web 2.0

Ramler says the connectivity of online retailing is another strength traditional retail stores cannot compete with.

"Our website is really interactive. We have a blog where customers can participate and discuss all things besides furniture, like latest trends, and we have a product review functionality – they can easily leave a review of their thoughts.

"We do that because it adds credibility to the brand, and it allows future customers to see real views and thoughts about what current costumers believe in our products. I don't think it helps increase sales but it helps add value. Because of that aspect, online stores in general like ours can provide better value than brick and mortar stores."

But he also urges caution, saying businesses shouldn't be moving into the online sector if they aren't ready.

"You have to be careful not to be confused as to what your core strengths are – don't get stuck in the middle. If you go online from a traditional brick and mortar store, your costs may blow out. Realise what you specialise in."

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