

## FORTYTWO

# Furnishing flexibility with e-commerce

FortyTwo founder Naveed Lee talks about how he turned his vision of online furniture retailing into reality and the need for his company to transform its processes for greater efficiency.

A TYPICAL furniture showroom has space for about 200 to 300 products. Yet imagine one which can house thousands or even tens of thousands of items.

That vision was what drove Naveed Lee to found online furniture retailer FortyTwo in 2007. In e-commerce, he says: “You do not have the limitation of space.”

If a brick-and-mortar retailer wants to expand their product range, they need more space to showcase the additions, which could mean buying new shop units or moving.

“But for an e-commerce company, all you need to do is simply upload new products and reconfigure your categories.”

Mr Lee knows a thing or two about traditional furniture retailing. In 1998, he began his working life as a retail executive in a furniture showroom. It was there that he realised the efficiency of the traditional furniture business is “extremely low” in areas such as marketing, supply chain, and point of sale. High mark-ups were inevitable.

In 2002, he moved into the advertising industry instead. The early 2000s were heady years which saw the emergence and explosive growth of foreign e-commerce sites such as Amazon. With his experience in furniture retail and his advertising knowledge, Mr Lee began to explore the idea of founding an online retail company.

“Looking at the technology I thought that it could streamline a lot of the ways in which a traditional business operates,” he recalls.

Back then, brick-and-mortar retail businesses still relied on offline, mass-media advertising channels.

Yet compared to online advertising such as search engine marketing, these offline methods paled in their ability to target and capture audiences, says Mr Lee.

E-commerce is also more convenient for customers: “It’s about being there 24/7.”

And online payment is particularly convenient for large purchases such as furniture, he adds. Customers can make the purchase at their leisure, as and when they want, instead of having to visit a showroom, discuss their options, then return to the store when they have eventually decided.

Refunds, too, can be requested and performed at any time, since the entire payment system is online.

In 2007, Mr Lee quit his full-time job to focus on building his own company. It could have been any sort of online retailer, but he chose to focus on furniture as he had experience in that industry.

Roping in suppliers which he knew from his first job, he founded BEDS.sg. The site started out with barely 60 products, under four mattress brands and four categories of beds.

Renamed FortyTwo in 2013, it now features more than 20,000 items in over 500 categories.

It made sense to go from beds to other bedroom-related products and furniture items because the target audience is the same, says Mr Lee. “The person who is buying a mattress would be the same person who buys a sofa. We don’t have to spend additional marketing budget to attract them, because the buyer is the same.”

The firm has expanded in other ways as well. Before 2010, it had only 5,000 square feet of warehouse space, as most products were shipped back-to-back: arriving from suppliers, then being delivered to customers.

In 2010, though, the firm decided to branch out into carrying products of its own design.

With a corresponding need for more warehousing, FortyTwo has moved four times since then, with its current Jurong warehouse boasting 70,000 square feet of space.

“We realised that if we are able to purchase our own furniture in bulk, we can lower the price of each product,” says Mr Lee.

FortyTwo would also be able to introduce items



not currently available in the Singapore market. And compared to goods from external suppliers, its own products – stored on-site – could be delivered much faster.

Now, about 70 per cent of FortyTwo’s sales come from its own products, which include furniture and soft furnishings such as bedding.

## DIGITAL FIRMS NEED TO CHANGE TOO

One might expect an e-commerce firm to have always been at the cutting edge of technological development. But even digital firms cannot escape the need to transform for greater efficiency.

When Jasper Chen joined in 2010 as a web developer, he realised there was a lot that needed to be done. The web system had originally been built by an external contractor, with no in-house expertise, he recalls: “On the tech side, there was nothing.”

Fortunately, it was still fairly early in FortyTwo’s

journey. With the business then operating on a small scale, it was easy to make changes, he says.

Many processes were initially manual. Delivery schedules, for instance, were simply typed in Excel. By late 2012, Mr Chen had helped to develop a delivery scheduling system built around the website’s online ordering infrastructure.

Previously, the firm received some 60 to 70 orders a day. Scheduling deliveries for that volume of orders took four man-hours.

In contrast, the integrated scheduling system processes more than 200 orders a day without issue.

Mr Chen, now 29 and the firm’s chief technology officer, has overseen many other improvements.

Since the site’s launch, customers have been able to request a delivery time. But there was no way to indicate that certain days or time slots were unavailable. If a slot that was actually unavailable was requested, customer service officers had to call up

Mr Lee hopes to see FortyTwo as the leading regional online retailer for everything home-related in four years.

PHOTO: FORTYTWO



the customer to ask them to re-schedule.

But with Mr Chen's input, the scheduling system now reflects the real-time availability of delivery time slots, based on the customer's location.

FortyTwo is also working on tracking shipments of overseas stock. This will allow it to give more accurate shipment dates for each product, and offer products for sale even if they are still in transit and have not yet arrived at the Singapore warehouse. With more accurate estimates of delivery time, customers can get quicker service too.

Says Mr Lee: "Previously we would play safe and say (an item) was available in two days, when actually it could be available the next day."

### DARING TO FAIL

Yet FortyTwo's journey has not been a smooth, straight path. The firm has seen its fair share of detours and reversals.

When it went beyond selling just beds, for instance, it went arguably too far at first.

"We tried to sell everything," recalls Mr Lee. At its peak, the website carried almost 30,000 different products, including electrical appliances and television sets. FortyTwo has since scaled down and re-focused.

Not all innovations will work out, either.

In 2014, after a long in-house development process, FortyTwo launched an online marketplace on its site so that traditional retailers could list their items for sale there. By early 2017, the firm had shut down the marketplace.

Mr Lee lists three reasons:

First, the marketplace faced massive competition from e-commerce players with deep pockets, such as Lazada and Qoo10, which "run on negative gross margins." Unlike these players, said Mr Lee, FortyTwo was not willing to make losses to capture market share.

Second, it was difficult to provide customer support for products that were not FortyTwo's own.

Third, he felt the firm had "lost control over the products uploaded onto the site" and could not maintain quality – particularly if the products being sold had never been seen "in the flesh" or offline by FortyTwo's staff. The problem in the retail industry today "is that there are too many cheap things", he observes. "The challenge is how the consumer is going to be able to differentiate."

For FortyTwo, the answer is through branding and creating trust in the quality of their products.

So despite the time, effort and money poured into setting up and running the marketplace, the decision was taken to close it down. "I started with nothing so I thought that I had nothing to lose," says Mr Lee.

In any new endeavour, "you must know how much you are prepared to lose" and plan for the worst case scenario, he adds. "It's a bet, but it's not a bet that you don't expect to lose."

### BUILDING A FUTURE

Today, FortyTwo has about 120 staff: slightly under half working in the office, another 40-odd in deliveries, and the rest in the warehouse.

The next step in the firm's expansion, says Mr Lee, is to refine its internal processes for another three or four years.

"Once we're stable, then we can go regional." The plan is to start with Klang Valley, as the firm is already working with factories in Malaysia.

Mr Lee hopes to see FortyTwo as the leading regional online retailer for everything home-related by 2022.

As an e-commerce firm, FortyTwo began ahead of the curve. Other retailers might want to consider catching up, says Mr Chen, the firm's web developer. "The whole retail industry, not just in furniture, is changing," he adds.

As FortyTwo learnt with its online marketplace experiment, big online players are cannibalising traditional retail. If traditional firms fail to change, they will become irrelevant, says Mr Chen.

And by getting online, firms enjoy one major advantage: the ability to target customers.

Digital ads can target audiences by gender, age, or even their Facebook interests and Facebook pages with which they have been interacting.

This allows FortyTwo to save both time and money in its marketing efforts. "With traditional methods, it's hard just trying to get the correct audience."

For some traditional furniture players, though, such technological leaps are a long way off. There are local furniture suppliers who do not even use email and rely on faxed orders instead, Mr Chen observes. "We also see a lot of this for furniture retailers."

Working with these partners has not been the smoothest experience for a firm as digitally-based as FortyTwo, he adds: "We want everything automated as far as possible."

Fax machines do not quite fit into FortyTwo's online ordering system. The stopgap solution has been to send faxes via a computer instead.

Yet Mr Chen adds with a wry smile: "Of course, we would like it if they adopted email." For now, FortyTwo remains ahead of the curve – but hopes its industry peers will catch up too.



## FortyTwo makes room for ideas from staff

WHEN Fadzly Othman joined FortyTwo as a web developer in 2012, he was looking forward to being part of a dynamic startup, not a traditional office environment. Even so, he had not expected the degree to which he would take part in driving change.

"I didn't know that I'd be involved to this level. I just expected to be changing the code, that's all," says the 37-year-old.

When he joined, his first key task was fixing problems in the firm's existing code. After the code had been stabilised, however, Mr Fadzly started going through the company's operations to see what could be improved.

That was how, for instance, he realised the need to revamp the delivery scheduling system.

In early 2015, he drove another project: introducing a more efficient way to pick items in the warehouse. Previously, the only way warehouse staff could identify goods was by reading the descriptions on the boxes.

Mr Fadzly's idea was for FortyTwo to print and affix its own QR codes to every item.

He learnt app programming and, with a colleague, developed an in-house app that warehouse pickers use to scan the QR codes on items before sending them for delivery.

This generates an automatic log of all the items that have been scanned out for delivery.

And if the wrong item is scanned, the app immediately flags the issue.

Wrong stock picks used to be a big headache, with an occurrence rate of about 3 per cent.

Thanks to the new system, such mistakes are now

very rare, occurring perhaps about 0.1 per cent of the time, says Mr Fadzly.

Zaki Yusoff is one of those who helped to get the new system running – and saw its benefits.

He joined FortyTwo in 2010 as a delivery driver, but became a store assistant after a year and started being involved in operations. In 2016, he joined the warehouse side of the company.

"The QR code thing helped, not just in delivery but also receiving from suppliers too," says the 37-year-old, who is now the assistant operations manager for logistics.

Previously, when suppliers delivered goods, those receiving the goods at the warehouse would have to flip through the paper records.

Now, with everything entered into the system and accessible via the app, warehouse workers no longer need to manually retrieve product information or check invoices.

Mr Zaki's role, too, has evolved over time. From playing a hands-on role initially, he is now "more of a middleman".

When changes are made and new systems introduced, he is the one planning new standard operating procedures and figuring out the required changes in job scopes.

In his time with the company, he has learnt everything from inventory control and delivery planning to managing accounts for suppliers and people management.

FortyTwo has proven to be more than he expected: "When I joined, I was thinking it was just a furniture company," he says with a grin.

(From left) Web developer Fadzly Othman, chief technology officer Jasper Chen and assistant operations manager for logistics Zaki Yusoff in FortyTwo's warehouse, demonstrating the in-house app which tracks items being sent for delivery.

PHOTO: FORTYTWO

**As FortyTwo learnt with its online marketplace experiment, big online players are cannibalising traditional retail. If traditional firms fail to change, they will become irrelevant, says Mr Chen.**