

THE JOURNAL REPORT: TECHNOLOGY

What's Woot?

Woot.com has become a cult Web site -- by selling one item a day at a deep discount. Here's its story.

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Brian Carlsness needed to unload some merchandise.

The managing director of e-commerce at Rockford Corp. of Tempe, Ariz., wanted to get rid of his inventory of a device that streams digital content to home stereos.

So Mr. Carlsness turned to Woot.com. And in one day, he sold out the entire inventory of thousands of the devices at a steep discount. When Rockford first launched the product in the summer of 2003 it was priced around \$800; it sold on Woot for \$199. "We sold out in seven hours and 53 minutes," says Mr. Carlsness. "It was rather extraordinary."

Woot.com is indeed an anomaly in the e-commerce world. It sells just one product a day from one manufacturer, mainly closeout items on the cheap. A picture of the day's item is prominently displayed on the site's home page. The sale ends when the stock sells out or at 11:59 p.m., whichever comes first. These are products consumers have never seen in person -- or know much about at all. And with each day's sale launched at midnight Central Time, a product could sell out well before many people are even awake.

What's the Appeal?

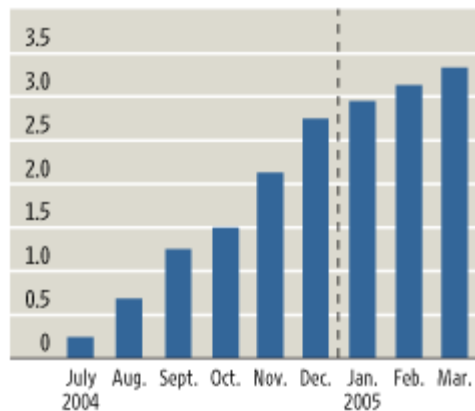
In part, buyers like the site because they can get great deals. But it's more than that. It's also a community. The site has become a place where consumers regularly give opinions and chat with other Woot customers. Woot, which is based in Dallas, encourages customers to write product comments and reviews on its message board. Woot says on average each product gets about 250 comments a day. And when they really like a product, Woot users are known to quickly spread news of the sale in other forums throughout the Web.

What's more, the prospect of missing out on a deal before you even awake has only heightened Woot's cult-like appeal to buyers.

For Brian Hindson, for instance, missing out on a Woot sale isn't an option. The 38-year-old swimming coach from Indianapolis subscribes to a service that sends an e-mail alert to his cellphone each night about the Woot sale. "I wake up, see what it is and decide if I will go check it out or not," says Mr. Hindson. "Yes, I even have a laptop next to my bed if need be."

One-Trick Pony

Woot.com's average monthly visitors since its launch last July. Figures in millions.



Source: the company

For their part, sellers such as Mr. Carlsness say they like Woot because it is a place where they can unload merchandise without having to compete with others trying to sell similar things. And they get a lot of potential buyers: Thanks almost entirely to word of mouth -- Woot only advertised on the blog ingadget.com³ at its launch - - the company's Web traffic has jumped to 150,000 visits per day from 5,000 a day in July.

"It's almost like throwing a rock into a pond," says Mr. Carlsness. "You throw a big enough rock [and] it starts to ripple out from the center."

Early Bird Gets the Sale

Woot, which took its name because it conveys excitement, mainly hawks electronics, but it has sold a variety of other products, including dog bowls and

watches. Its debut item last July was a robotic lawn mower that originally retailed for \$599; 23 were sold for \$179. In the beginning, Woot typically chose which product to sell based on extra inventory that founder Matt Rutledge had on hand at his computer and electronics-distribution company, Synapse Micro Inc. Now, however, most of the sales come from other manufacturers. Woot makes money by charging a commission for each sale.

In addition to the daily product, Woot occasionally offers specials, including one where a customer pays \$1 plus Woot's flat-rate shipping cost of \$5 for a mystery bag of things. One recent bag included a Woot T-shirt, a plastic mail holder and a screaming stuffed monkey. Sometimes the bag itself is something of value, like a laptop case. And for some lucky buyers the bags contain more than the normal fare.

"The last [bag] I ordered included a Woot T-shirt, [the mail sorters] and a brand new stereo valued at over \$130," says Mark Marino, a 33-year-old sales engineer from Fort Lauderdale, Fla., who typically stays up until 1:00 a.m. to catch the new Woot sale.

Mr. Rutledge says each of the four times Woot ran the mystery bag sale its servers crashed from all the traffic.

Woot's growing popularity underscores the increasing power of online communities of savvy consumers. Customers are quickly and easily expressing their likes and dislikes and, in turn, encouraging or deterring others' purchases.



Products that Woot has featured as part of its singular sales method: offering one item a day, until supplies (or the clock) run out

"These people are better informed," says Wilfred Amaldoss, a marketing professor at Duke University's Fuqua School of Business, in Durham, N.C. "Their feedback is more valuable because they are putting their money behind whatever they are saying."

Travis Sitzlar, a 28-year-old information-technology professional from Chattanooga, Tenn., is a repeat buyer at Woot. Mr. Sitzlar says he purchased his last three sets of surround-sound speakers "solely because of the hype in the [Woot] community. I'll check the [message] boards even when I know I'm not interested in the day's product." Mr. Sitzlar says that on more than one occasion the message-board chatter convinced him to buy a product he wasn't originally interested in.

Woot hopes to use this feedback to encourage companies to try out new products on the site. One manufacturer has done just that. In February, Neuros Audio LLC, a small consumer-electronics company, put a limited quantity of a new digital video recorder up for sale at Woot -- two months before it would be available at other retailers.

Executives at Chicago-based Neuros gathered one midnight to watch the sale and field e-mail questions from customers. Woot gives manufacturers the chance to talk in real time with customers when selling a product on the site. Twelve hours later, the entire inventory was sold out. And, says Joe Born, the company's president, the level of feedback on the product was unprecedented.

"What we got with Woot [in 12 hours] took six to eight weeks with conventional retailers," says Mr. Born. "It's better than a focus group. It's such a direct, intimate interaction. Not many companies get to do that."

Because of customer comments, Mr. Born says, Neuros has decided to also sell a higher-end version of the recorder with a higher resolution. "We got to interact with literally hundreds of customers at the point of sale," he says. "It prompted us to make changes."

Rockford, which has sold about six closeout products on Woot so far, also has expressed interest in selling new products. "If we ever wanted to create a buzz in the Internet with new technology launches, we'd certainly consider Woot," says Mr. Carlsness. "It may not result in huge sales...but the Internet is important for launching any new product, and [Woot] is a potential jump start."

Staying Power?

Recognizing that selling one product a day has financial limitations, Woot has plans in the works to expand. Mr. Rutledge says he has been in talks with about 10 different manufacturers about creating a Woot outlet mall online, where all the manufacturers will each

sell one product on the same day at discounted rates. Each of those products would go on sale at midnight in the time zone where its manufacturer is based.

That, says Mr. Rutledge, will give customers something they've been asking for: more products. Indeed, Chris Heacock, a 27-year-old who works with global marketing and sales systems in Noblesville, Ind., says "my only wish is that they would list more than one product a day. Sometimes their stuff sells out in no time."

Mr. Rutledge, who declined to name which manufacturers are interested, says the Woot outlet mall will sell a broad range of products, from electronics to small home appliances to car audio equipment. And there will still be the occasional dog bowl or cat scratching post. A Woot mall wouldn't be available until this summer, possibly in July.

"Woot won't change," he says. "We see [the mall] as an add-on. We won't alter what we do."

--Ms. Fuscaldo is a reporter for Dow Jones Newswires in Charlotte, N.C.