

# CSN nets huge growth with small-scale Web strategy

BY ROBERTA HOLLAND  
SPECIAL TO THE JOURNAL

Steven Conine and Niraj Shah are not among the faint of heart.

The duo launched their online-retail site in 2002, two years after the dot-com bubble burst and scores of e-commerce carcasses still littered the landscape.

"Our business concept was doing Internet retail in multiple categories," said Conine, the chairman of CSN Stores Inc. in Boston. "It definitely was contrary to popular wisdom."

But their approach proved prescient, and their company has grown to over \$200 million in annual revenue with 500 employees. The online retailer is made up of 250 niche Web sites purveying items large and small, from Bed-Rooms.com to DinnerPlates.com.

Shah, the company's 34-year-old CEO, said while the venture initially appeared risky, their research showed otherwise.

Despite the stock implosion of big names like Pets.com, plenty of small-niche Web sites were growing about 30 percent a year, Shah said. Statistics also showed e-commerce as a retail channel was on the rise.

"It ended up seeming clear to us," Shah said.

Conine and Shah met at **Cornell University**, graduating in 1995 with engineering degrees. They then launched an online professional-services firm in Boston called Spinners Inc. to build online software systems, and landed big-name clients like **The New York Times** and **Merrill Lynch**. They later sold the company to iXL Enterprises in 1998. Shah and Conine stayed on for two years.

The duo then started CSN out of Conine's South End home. Their first site was Racks and Stands, which sold speaker stands and other entertainment equipment. After learning that speaker stands were a popular search item, they discovered that few vendors carried them.

They set out to negotiate with product distributors and manufacturers, arranging for shipments to go directly to consumers when orders came in. Most of their business is still conducted that way.

They quickly set out to achieve economies of scale. By the end of 2003, they had a handful of online stores. Conine said they were profitable from the start, although he and Shah didn't draw salaries for the first six months.



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CSN Stores founders Niraj Shah and Steven Conine launched their online marketplace at the nadre of the tech-market's fall in 2002. The company, made up of 250 niche Web sites, posted over \$200 million in revenue in 2007 and employs around 500 people.

## CSN: E-commerce market maker added \$100M in revenue in 2007

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CSN, which comes from a blend of the founders' initials, continues to add categories to its ranks. Shah said one that has proved very popular is **Everyfaucet.com**, which just as the name implies, sells faucets for kitchens and bathrooms.

Conine said they used individual domain names because they felt it would attract more hits if "Everyfaucet.com" rather than "CSNStores.com" popped up on a search engine.

Individual sites also make it easier for consumers to find what they're looking for instead of using one megastore, he said.

CSN's revenue grew from \$109 million in 2006 to \$202 million in 2007. The founders attribute the growth to their widening array of products and online destinations.

"Our value proposition to consumers is really simple to describe but hard to pull off," Shah said.

The three keys are "very large selection, very good service and doing that at very competitive prices. A lot of times you'll find two out of three or one out of three," he said.

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Niraj Shah  
CEO, CSN Stores Inc.

Conine said they hoped the company would be big, but didn't expect that the growth to happen so fast. "We always had grand plans for this," he said. "You don't hit a ceiling with retail. It's just a huge, huge market."

Given their success, the founders constantly field calls from investment banks and private equity firms interested in acquiring the company or taking it public.

But Conine said they're not interested.

"Personally, I don't have a lot of desire to sell it and go sit on a beach somewhere," Conine said. "One of the reasons we've done well is we're not looking to flip it. We're not looking for a short-term gain."

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