

## Feature article

### One Size Fits All

*CSN's recipe for success: Niche the sites, unify the back-end*

By Elizabeth Gardner

Shoppers looking to buy a coffee table online could go to some place like Amazon.com, the online equivalent of a big-box or department store, and find a nice selection. But many start by typing "coffee table" into Google and seeing what comes up.

Because Google loves relevance and focus, the top of the results includes several retailers that seem highly focused indeed: AllCoffeeTables.com, CoffeeTablesGalore.com, CoffeeTables-Store.com, CoffeeTableShowroom.com. Some of them are the niche shops they appear to be: the proprietors are all about coffee tables and nothing but.

But visit AllCoffeeTables.com. While it certainly looks like a specialty retailer, with every imaginable coffee table on virtual display, a note at the top right of its home page reveals it to be "Part of CSN Stores." Click on the logo and be transported to the parent's home page, where hundreds of product categories beckon. Many roads lead to CSN Stores, and they have their own highly specialized domain names: FutonMattress, JustWoolRugs, FirePit Central.

#### A unified organization

CSN Stores is a conglomerate of more than 200 web storefronts, with more being added all the time. Behind those storefronts is a unified marketing and customer service organization and a web of vendor relationships that makes it possible to offer almost every available coffee table, fire pit, Adirondack chair, TV mount, or whatever—all drop-shipped directly from the manufacturers. It's a strategy that's paying off big. With 2007 revenues topping \$202 million (up 87% from 2006), CSN is No. 69 in The Internet Retailer Top 500 Guide.

"I look at their list of stores and I'm floored," says J.P. Werlin, a consultant with Downtown e-Commerce, Westchester, Pa., who specializes in marketing and search-engine optimization. "They're the sleeping giant that a lot of people don't know about."

CSN founders Niraj Shah and Steve Conine, both Cornell University class of 1995, were the quintessential dot-commers: they started an Internet consulting firm right out of school and designed key web and intranet applications for blue-chip clients like the New York Times and Merrill Lynch. In 1998 they sold their venture (only the first example of their excellent timing), staying with the buyer as employees.

But entrepreneurship lured them back, and by 2000, they found themselves in Boston looking for the next big thing. In their research, they noticed something interesting.

"We kept running across small e-commerce companies that were growing at 20% to 30% a year, and they weren't even particularly sophisticated with their technology or online marketing," Shah says. "It seemed odd that they were growing so fast." Even though Internet companies in general were pariahs in the investment community at that time, Internet retailing was booming.

#### Sorting through opportunities

Shah and Conine figured that with their back-end development skills, they could take an e-commerce venture to the next level. But what venture? Amazon, Dell and many others had already established themselves with the easy stuff: books, music, movies, software, electronics, and other seen-one-seen-em-all items.

Furniture and housewares, on the other hand, were ripe for some kind of systematic approach. Many of the players were either very small—mom-and-pop shops without the resources to grow—or too unfocused to make their way consistently to the top of search engine results. "We realized that if we could figure out how to sell these things effectively, we could build a bigger barrier between us and the rest of the market," says Conine. "And demand was only going to grow as people migrated up the risk profile curve for online shopping, and became comfortable buying a sofa or an armoire online."

Despite the profusion of small web storefronts on the market at the time, Shah and Conine saw no point in growing by acquisition.

"There wasn't a lot to acquire," Shah says. "These small operations didn't have much inventory or exclusive relationships, or anything worth buying. We didn't want to be one of those stores—we wanted to be a hundred or a thousand of those stores."

So, starting in 2002, they busied themselves building an e-commerce platform that would support as many stores as they wanted. Using their own money, they started small: their first launch in 2003 was RacksandStands, a comprehensive selection of TV tables, CD carousels, and other items for holding electronics and media. New storefronts followed, one by one, and then dozens.

"The idea is that if you're a consumer looking for, say, a stroller, and you go to a search engine to shop for strollers, a site where everything is focused on strollers is going to be more relevant to you than a store where strollers are just one subcategory," Shah says.

#### A store for each purpose

Not that each storefront is mutually exclusive. There's plenty of overlap. Some are almost straight duplicates, like AdirondackFurnitureDirect.com and EveryAdirondackChair.com (though there are subtle differences in the two sites). Some are subsets of others: AllBarstools.com has a number of even more specialized offspring, like AllSwivelBarstools, AllLeatherBarstools and AllOutdoorBarstools. And some are umbrella sites for a number of categories, like Cookware.com or CSNFurniture.com.

"We try to have each store for a purpose," Shah says. "We don't have stores just to have them." CSNFurniture works well for shoppers who may be browsing for a number of different pieces, whereas EveryHighChair or JustDaybeds captures those with specific goals.

Great minds think alike, and whether from imitation or convergent evolution, a number of companies are pursuing the same model in the furniture/household goods space. CSN's nearest competitor is Netshops, which also started in 2002 with Hammocks.com. ("It was a couple of years before we were even aware of each other," Shah says.) Netshops now boasts more than 200 storefronts as well, many competing head to head with those of CSN, and ranks 82 in The Internet Retailer Top 500 Guide. Others include IVG Stores, with 190 storefronts, and Canada's Cymax Stores, with 50.

PetsUnited, which specializes in building enthusiast-oriented stores and online communities based on strong domain names (Dog.com, Horse.com, et al.), has about half a dozen thriving ventures and hopes to build its niches up to the same numbers as CSN Stores, says Greg Patterson, senior vice president of marketing. "Our sites would be bigger and more complex, but it would be a model similar to CSN," he says. "Once your infrastructure is in place, it's just plugging in new pieces. It's a good strong model, like owning a diversified stock portfolio. In a downturn, some divisions will feel the impact more than others."

A stable of strong domain names seems as if it would be essential to the success of CSN Stores' strategy and indeed, Conine says they're always on the lookout for deals on good names. Of the 200-odd that CSN Stores has up currently, only about 20 fall into the strongest category, Shah estimates. They include AirHockeyTables.com, Bakeware.com, ReplacementChina.com, Upholstery.com, and Waterbeds.com. The others are compromises of various kinds: AllAirBeds.com, CSNArmoires.com, EveryToaster.com, JustKidsRugs.com.

#### Topping the charts?

But some of these compromise names are strong enough to pop up early in Google and Yahoo searches, while some of the so-called stronger ones don't even make the first page of results, which just shows that making search engines happy is more art than science.

Werlin of Downtown E-commerce admires CSN Stores' knack for search engine optimization. "The CSN Stores link takes you to a directory of all their sites, and then Google can find all the other stores," he says. "It definitely tips the playing field in their favor."

Nonetheless, paid search far outstrips natural search as a source of customers, says Shah, and most of the company's marketing is a standard mix of paid search, comparison shopping sites, and e-mail. CSN Stores has yet to retire any of its domain names, but it will ratchet down advertising expenditures for those that don't perform.

Conine says the next step is to strengthen the brand recognition of CSN Stores itself. "We're starting to market more as CSN Stores through e-mail outreach programs and some advertising," he says. "If people had a good experience at one store, it benefits us if they know the others are similar."

And the real key to success is customer service and product selection. "A generic domain name will help you for sure, but you need a great site to go with it," Shah says.

To that end, he and Conine have put a great deal of time and energy into developing and managing vendor relationships so that their customers can expect dependable drop shipping. "We've learned how to get better at managing that process over the past six years," Shah says. "It's much more difficult than shipping out of our own stock. But if you do a good job, you have a much bigger selection available to the consumer. Wal-Mart and Costco are doing the same thing. They're not trying to have the selection we have, but they want something broader than they have in the stores."

#### Own best customers

CSN Stores has outsourced its entire supply chain, except for a small warehouse that accepts returns and either resells them at substantial mark-downs or donates them to charity. But one thing it will never outsource is customer service, Shah says. The company hired its first employee in 2003 and is now at about 500, virtually all in its offices in Boston's Prudential Tower. While some work on marketing, vendor relations and technology, the bulk answer customer calls and e-mails.

Both Shah and Conine are at the stage of life where furnishing their houses is a preoccupation and as a result, they are two of their own best customers. Shah is a fan of AllModern.com, their site for modern furniture, and EveryFaucet.com, which supplied much more than faucets to help him redo his bathroom.

Conine recently bought a mattress. "I had the darnedest time convincing myself to do it," he says. "It was a good way to understand our customers' point of view. But I thought, 'I run this business—I really have to do it.' In the worst case, I would just return it and try a different one."

The mattress worked out fine, even though he hadn't been able to lie on it before buying. "I've been to a lot of mattress shows, and I think lying on them is overrated," he says.

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