



Stanford eCorner

Seeing Opportunity in Inefficiency

Alon Cohen, *Houzz*

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Alon Cohen, co-founder and president of Houzz, explains how the ordeal of remodeling his home led him and his wife, Adi Tatarko, to start the company, now a leading online platform for home remodeling and design. He also recalls wise words from a fellow entrepreneur on how to know if they were doing the right thing: "Don't enter if what you want is to exit."



Transcript

So, let's talk about Houzz. So, how did it all start? We bought this house in not too far away from here. And it's an old ranch from 1955. You walk in, it was never touched. So you walk, you turn right, there is this white kitchen, never touched, it's basically like original the way it was back when it was created the first time. You keep going and going to this bathroom, it's a neon pink bathroom, right, and I tried - I am a little bit tall, so I tried to stand there and basically I hit my wall - my head on the ceiling all the time, right? So it had good bones; we went with it and a couple of years later when we had a little bit more money, we wanted to remodel it, right? So we started the process, we thought it was going to be a lot of fun, right, we all walked around furniture stores, right, and liked all the vibe there et cetera, we thought it was going to be a lot of fun. And we started and we were looking for a professional, for an architect that had experience modernizing ranch homes. And you look at the Internet and it was like you get to this weird website, it's kind of loading really slow, it has flash and there was somebody that thought they will do something really cool with it, so you have to wait for 30 seconds until the animation starts. And you're trying to figure out like what's going on there and you can't really find out. Where are the professionals that I need, right? And eventually, we went with somebody that our friend recommended.

And it actually didn't turn out that well. So we had to - after we did all the plans, we have to basically delete them and start all over again. And later on, when we talked to other people, they told us they had the same experience. And then they sent us to the bookstore borders when it was still in downtown university, right, to look at books and magazines, right and get ideas. So we would go there and buy a bunch of books and magazines and go page by page and try to figure out what is that we both like and that was a very inefficient process and we're like this is the 21st century. We do everything online, travel is online, why isn't this industry online. And then we went and talked to our friends and they had the same problems, right, just other people in the neighborhood. And so we figured there's got to be a better way to do this. And this is how Houzz got started. So it really started as a fun project that this is actually the first version of the website that I, as you can see, designed, I'm not a great designer but actually the first designer that I worked with later on told me that for an engineer, it's not too bad.

But the first thing he did is delete it - got rid of the black background so they can actually read the text. And so - but it was a really fun project. I just did it over the weekends and Adi working with the community after it was there. The development piece was fun because I was like managing group at eBay. I didn't really - have been doing coding for at least a few years and this was kind of back to basics, right, back to actually contributing something and doing something that moves the needle, right? And making all the decisions is fun, right? You don't have to go through a bunch of approvals, et cetera, to get something going. So that was great. And then Adi was working with the homeowners, with the architects and started in the Bay Area, right? And we started having like a small community there, but then what happened next was really amazing because homeowners started telling other homeowners and professionals started telling other professionals as well as the other way round like professionals were telling homeowners, et cetera. So it started spreading and we started getting people signing up

from New York, from LA, from Chicago, et cetera. And we started opening metro areas for them, I don't know if you can see here, but there is an option to browse by metro, we just started with like San Francisco and then we added up as we got more people asking us to add more areas, as well as more professional types, from architects to interior designers, to landscapers, to contractors, et cetera, as well as a bunch of them that we never knew even existed like there's a different kitchen designer, there's a different bathroom designer, it's different than a regular interior designer, so it's pretty - it's a very involved industry. And what happened one day is that we had a friend of ours like one of the parents from the kid's school, she came over to our house and told us all excited that her sister in Oregon just heard about this amazing website that helps you design your home and she should check it out and she was like are you kidding me, I was like one of the first people on the site, I know the people who started it, and we thought that's really awesome and maybe there is something here that's bigger, right? And at that time, we already started having like several hundreds of thousands of people on the site every month and several thousands of professionals.

So we started talking to some other entrepreneurs and learned what we should be doing, right? And they gave us some really good advice like one of them said that don't enter if what you want is to exit, right? And that's really true and it rang really well with us because we started it as a fun project, we liked it, right, and it was solving our own need. And so we weren't really in this for the exit and that's a much better way to get into things, much more healthy, because if you're looking for the exit, you're not going to get it. Maybe, I don't know, there could be some businesses where it works but at least our experience has been that's a much healthier way to get into it and do something that you're really passionate about.