

How one auction website underwent a digital transformation to boost sales from \$8 million to \$70 million

Cincinnati-based EBTH added partners and focused on improving technology to help it grow from a locally-based auction site into a national platform with explosive sales growth and plans to go global.

Auction websites aren't new, but the way that Cincinnati-based Everything But The House manages their site is ground breaking.

The company underwent a digital transformation that helped it grow from \$8 million in sales in 2012 to \$70 million in 2016 and an anticipated \$120 million this year, according to Jacquie Denny, co-founder of EBTH.

The company, which operates an online auction site with its acronym, EBTH, has a simple premise. If someone has an estate to sell, such as after a family member dies or moves to a retirement home, the items are listed online starting at \$1 and buyers around the US can bid for 5-7 days until the item sells. Practically anything on the site can be shipped anywhere in the US and other parts of the world. There are deals to be had, but competition can be fierce since each item is one-of-a-kind.

EBTH currently offers auctions in 27 markets in 22 states with 3 million visitors to the site each month and 1 million registered bidders, and there are plans to expand globally. But it didn't start out that way.

Denny and Brian Graves co-founded the company in 2008 with a focus on estate sales in Cincinnati with an initial bidder base of 800 people. "We weren't sure we wanted to take this nationally, but within the first six months of growth and this becoming so explosive we started getting courted by groups in LA and Chicago. But we didn't want to franchise it," Denny said.

Denny said she liked the intimate feel of connecting with families and making it easier on them, in the case of a family death, than in a traditional estate sale where they didn't always know how much something sold for, or what happened to it. "They see how much people like the items, and it kind of tells the story of their family. They get closure," she said.

The company first expanded into nearby markets in Louisville and Lexington, KY and then Nashville, TN. But it still operated on its original premise, which was selling items online for local pickup only.

Eventually, Denny and Graves began talking to two brothers, Andy and Jon Nielsen, who were interested in buying a share of the business. Andy brought in Mike Reynolds as well, and the trio formed a new partnership with Denny and Graves in 2012, with Andy Nielsen as the CEO, Jon Nielsen as the chief business officer, Mike Reynolds as the COO, Denny as the chief development officer, and Graves as the chief learning officer.

Andy Nielsen said it was clear from the start that EBTH needed to make a more substantial investment in technology as well as develop a shipping strategy that was more automated, since every item sold is unique with only one SKU available. "We needed to build the technology to allow us to automate, and identify the constraints to growth, which were shipping, logistics, and fulfillment," he said.

"Our focus still remains on continued geographic expansion. We are in 27 different markets right now, and we'd love to be in the largest number of cities possible. There will be an international element of EBTH, but the exact timing is yet to be determined," he said.

One of the reasons EBTH is successful is the leaders' ability to learn from mistakes and quickly change what doesn't work.

The first expansion market for shipping merchandise from sales, instead of just offering local pickup, was in Fairfield County, CT in 2013. The shipping and logistical infrastructure hadn't yet been built out, and many of the items were purchased globally and had to be transported back to the Cincinnati warehouse and then shipped out to buyers around the world. "We were trucking full loads of inventory back to Cincinnati. It helped us to identify when we launched Connecticut that we had not fully fixed this logistical challenge," he said.

Currently, 50-60% of merchandise is shipped rather than picked up by buyers, and shipping demand continues to grow. While items can be sold to buyers around the world, it's not yet offering auctions based in other countries, so Nielsen does not consider the company to be global.

"To unleash global demand we needed to provide instantaneous shipping quotes for anywhere in the world. We changed our mentality from thinking this will be a local audience to pick up most of the merchandise and a minority of it [would be] shipped. That was one of our key learnings. We decided to double down and build the infrastructure of the shipping side of our business," Andy Nielsen said.

But they're not done yet. "We still have tremendous room for improvement," Andy Nielsen said. The current distribution center is a 200,000-square-foot facility in Blue Ash, OH.

"Solving shipping logistics is challenging. We believe that if you own this, then you can own this space," he said.

One of the reasons the CEO thinks EBTH has been successful is that it's an e-commerce company that acts like a technology company with regular feature releases and content deployment.

There are changes made to the site every day. Even during a single online session, a user might be prompted to refresh the page to see an updated version of the site. This is part of the EBTH strategy to test new ideas and see how buyers respond, said Bobby Uhlenbrock, the chief technology officer for EBTH.

Many concepts are tested in-house before buyers ever see them on the site. With more than 1,000 employees testing the beta version, "If it breaks or causes an error, we can hear about it before one customer ever sees it," Uhlenbrock said.

"We are always designing experiments to test something out on a small scale and learn from it, and if it's successful roll it out widely and double down. We're running 20 experiments on the site right now. We use this concept called a feature flag," he said.

Uhlenbrock explained, "We are agile and flexible. Nimble. We are able to de-risk a rollout by rolling it out to employees first. We're actually deploying new code 10-20 times a day. The site is changing 10-20 times a day, but you as a customer might not see a thing. That's been transformational. That's a practice we've been doing for about a year now."

One thing that was tested but didn't work was offering customers the ability to browse by a particular item and see everything in that category for sale in any of the 27 markets served by EBTH, rather than shop by sifting through all of the items in one particular sale.

"We all thought that everybody would want to shop that way. If you're shopping for a sofa, or you're a collector of gold coins, why wouldn't you want to look at all the gold coins? So we rolled out this interface that sort of emphasized category shopping over sale shopping, and we noticed that it was grossly underperforming people shopping by individual sales. We took a step back and looked at the

analysis and customers showed us by their traffic that customers preferred shopping by sales," Uhlenbrock said.

Data analysis is how EBTH determines what works and what doesn't and teaches the company how to build its business. But traditional e-commerce techniques do not work. Vendors try to sell Uhlenbrock off-the-shelf products such as recommendation engines and retargeting tools, but when there is only one of an item available, they don't work. "Building these neighborhoods of interest is basically impossible for us as an off-the-shelf algorithm," he said.

"How we do it is super proprietary and it works for us because we're designing it in an auction environment for an auction environment. We're building a bigger moat to keep competitors away."

(This case study is based on an article written by Teena Maddox and was originally published on <http://www.techrepublic.com/article/how-one-auction-website-underwent-a-digital-transformation-to-boost-sales-from-8-million-to-70/?ftag=TREf7159e0&bhid=24599976861342598400622388803303>)