

Houzz Tops \$2 Billion Valuation, Opens Million-Item Marketplace

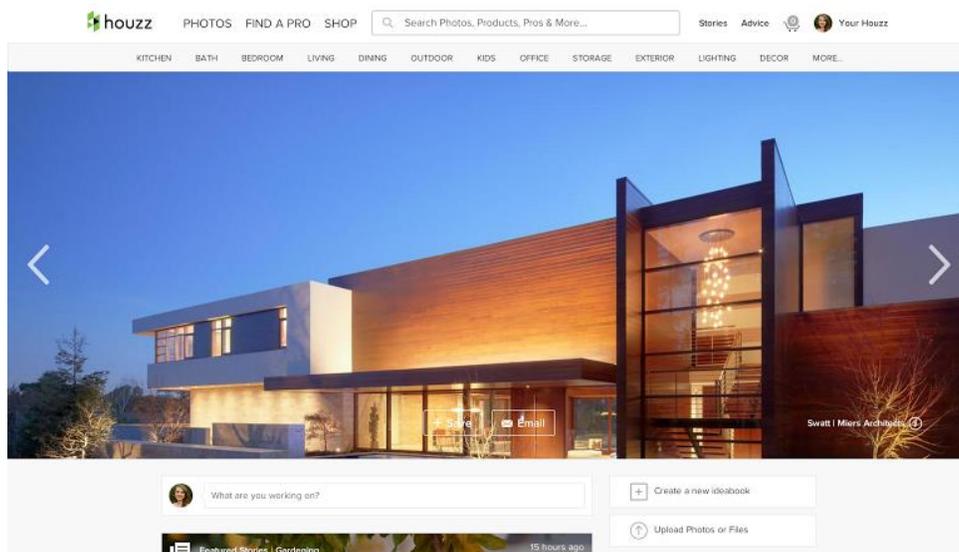


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After months of being coy about its fund-raising progress, Houzz is confirming that it raised \$165 million in venture capital earlier this year. The infusion gives the online home-remodeling and design site a valuation of more than \$2 billion — and helps bankroll Houzz for a big push into online commerce.

Houzz, based in Palo Alto, Calif., was founded in 2009 by Adi Tatarko and Alon Cohen, a married couple that emigrated from Israel to the U.S. The site now attracts 25 million unique visitors a month. It has become the 182nd most popular site in the U.S., according to Alexa Internet Inc., placing Houzz ahead of long-established retailers such as Nordstrom.com, Gap.com or Staples.com.

Houzz's popularity so far has been built on the founders' ability to build up a dynamic community where architects and designers display their best work, while homeowners dance through hundreds of photos in search of the furniture and fixtures that will inspire their remodeling projects. The company's CEO, Tatarko, has been famously insistent that she wanted Houzz to grow with community rapport being uppermost in everyone's minds, before worrying too much about how the site could make money.



Houzz's new home page (Credit: Houzz)

In a phone interview, Tatarko described the new marketplace as a quicker and more reliable way for homeowners to get products they want — letting them shop online directly at Houzz,

rather than needing to chase down towel racks and the like via traditional channels. She said Houzz's marketplace, which has been in beta development, now has one million items in it, adding that manufacturers have been eager to participate in a Houzz store, too.

When pressed, though, Tatarko acknowledged that the marketplace has plenty of business appeal for Houzz, too. Her company will collect a 15% commission from merchants that do business in its marketplace, making the new initiative the company's most potent money-maker yet. Houzz's other revenue streams come from letting manufacturers advertise on the site, and from charging designers extra for premium listings that might attract customers' notice.

In the new marketplace, Houzz won't handle shipments or inventories itself. Instead, transactions booked on Houzz will ultimately connect into manufacturers' own e-commerce capabilities. But Tatarko said Houzz will deploy its own customer service team to make sure that users of the Houzz marketplace get the best possible shopping experiences and have an advocate if anything goes wrong. She said Houzz wants "only the best" vendors in its marketplace and reserves the right to oust any businesses that repeatedly create sour experiences for customers.

The latest venture financing, Houzz said, is being led by Sequoia Capital, which has previously invested in the company. Additional capital is coming from two new investors — Yuri Milner's DST Global and T. Rowe Price — as well as from four prior investors: Palo Alto Calif., investor Oren Zeev, New Enterprise Associates, GGV Capital and Kleiner Perkins Caufield & Byers.

Houzz also announced a redesign of its website, making its search function more prominent and adding filters that will make it easier for visitors to sort out photos by criteria ranging from room layout to budgets, tile color or hardware finishes.