

Today's entrepreneur

He turned Web site in the rough into online jewel

Quest for engagement ring led to dot-com hit

By Byron Acohido
USA TODAY

SEATTLE — Mark Vadon's ability to raise \$57 million to sell diamond engagement rings over the Internet during the spring of 1999 was not particularly remarkable.

After all, it was a time when budding entrepreneurs dreamed of hawking everything from dog food to Dom Perignon online. And venture capitalists couldn't wait to throw money at business plans scrawled on napkins.

But four years later, Vadon's brainchild, Blue Nile, is a rare breed: It is one of the few pure online retailers to survive the dot-com implosion — and thrive in its aftermath.

Vadon, 33, succeeded where others failed by recognizing a vast, unmet need. He then threw convention out the window to satisfy it. He foresaw that educated men, making good incomes, would flock to a Web site that empowered them to make informed buying decisions about fine jewelry.

"Everything we do is heresy," Vadon says. "Instead of marketing to women, we market to men. Instead of trying to push our gross margins as high as possible, we sell as cheap as we possibly can. Instead of hiding information, we're all about educating the consumer and making him feel comfortable."

Online tutorials help

The approach appears to be working. Blue Nile's year-to-year sales growth, driven mostly by word of mouth, sparkles. Revenue has grown almost 180% to \$125 million this year from \$45 million in 2000. The company's 115 employees recently moved into a new 21,000-square-foot office space here.

Perhaps most remarkable of all for a dot-com, Blue Nile has been profitable for five consecutive quarters, since fall 2002. It remains closely held and has no immediate plans to go public, Vadon says.

Blue Nile takes the extra step in



By Barbara Kinney for USA TODAY

Revenue that sparkles: Mark Vadon turned a rudimentary Web site into Blue Nile, an online seller of diamonds ranging from \$700 to \$483,000. Blue Nile survived the dot-com collapse and has thrived, with revenue growing almost 180% since 2000 to \$125 million this year.

About Vadon

Position: Founder and CEO of Blue Nile, an online retailer of fine jewelry.

Education: Bachelor of arts in European social theory and American colonial history, Harvard; MBA, Stanford.

Career: Consumer products strategy consultant, Bain & Co., 1992-99; founder and CEO of Blue Nile.

Personal: Single.

Hobbies: Reading, travel, pickup basketball games, surfing.

helping customers make choices, retail analysts say. Customers have access to comprehensive online tutorials. They reveal the finer points of selecting the perfect ring from an inventory of 30,000 certified diamonds and 70 settings. The rings

range from \$700 to \$483,000. The most expensive diamond Blue Nile has sold: a five-carat heart-shaped bauble for \$183,000.

David Whatley, 37-year-old CEO of Simutronics, a St. Louis software game maker, recently spent several days surfing Blue Nile's Web site before purchasing a \$24,000 diamond engagement ring, delivered by courier.

"They've vastly improved the experience of buying a diamond," Whatley says. He rated Blue Nile's search tools "fantastic for narrowing down the diamonds in your price range."

Vadon's curiosity and bent for problem solving drew him into business. He grew up the restive middle child of a New Jersey physician and his real estate agent wife. During breaks from pursuing a social studies degree at Harvard, Vadon backpacked in Europe and Asia. After earning an MBA at Stanford University, he hitchhiked the length of Africa.

Then, he started as a consumer products consultant at management consulting firm Bain & Co. in San Francisco in 1992.

After seven years at Bain, Vadon was consulting on leveraged buyouts and was about to get engaged. But an encounter with a jeweler who advised him to pick a \$12,000 diamond ring on the basis of which one "spoke" to him left Vadon incredulous. He went home, switched on his computer and jumped on the Internet.

He quickly found www.internetdiamonds.com, a rudimentary Web site run by Doug Williams, an independent Seattle diamond wholesaler. Williams knew nothing about computers when he began dabbling with a Web site a few years earlier.

He discovered that by posting background information about buying diamonds, along with a toll-free number, he increasingly attracted calls from young men like Vadon.

After buying a diamond ring from Williams, Vadon flew to Seattle, took him out to dinner and grilled him about his business. Williams recalls being blown away by the sophisticated matrices Vadon had created, comparing diamond characteristics to cost factors.

"His research was amazing," recalls Williams. "I'm thinking, 'He's the guy to take this thing to the next level.'"

Mutual respect

Vadon, likewise, was impressed by what he heard from Williams. Even with two helpers, Williams couldn't answer all the calls they were getting. He didn't know what to do next.

Vadon mused, "I thought if there are a lot of guys out there like me, then this could be a home run. Over dinner I struck a deal with him to buy his business, went back to California, raised the money and closed the deal in May 1999."

Selling online

The growth of Blue Nile has largely coincided with the growth of e-commerce. Dollar sales and percentage change from previous year:

Total USA online retail sales		
Year	Change (%)	Sales (\$ billions)
1999		\$25.7
2000	65%	\$42.4
2001	21%	\$51.3
2002	48%	\$75.7
2003 ¹	26%	\$95.6

Blue Nile		
Year	Change (%)	Sales (\$ millions)
1999		\$14.0
2000	217%	\$44.4
2001	10%	\$48.7
2002	48%	\$72.0
2003 ¹	74%	\$125.0

¹ - projected
Sources: Shop.org, Forrester Research, Blue Nile

By Quin Tian, USA TODAY

Vadon raised \$57 million from some heavyweight venture capitalists, including Bessemer Venture Partners, Trinity Ventures, Kleiner Perkins Caufield & Byers, Light-speed Venture Partners, Integral Capital Partners and Vulcan Ventures.

'A serious Web site'

He used the money to build out a full-service e-commerce Web site, weave together a supply and distribution network and assemble teams to handle technology, finance and, most key, he says, customer service.

"We rebuilt the Web site to be a serious Web site consumers would trust," he says. Seeking a "more aspirational" name, Vadon renamed the business Blue Nile.

In its first six months in operation, the company generated sales of \$14 million and hasn't slowed.

Vadon concedes sales growth won't stay in the stratosphere indefinitely. But he believes Blue Nile can grab a much larger share of the \$5 billion U.S. market for engagement rings.

He says if Blue Nile were a traditional bricks-and-mortar jeweler, it would take 150 stores and 1,000 employees to sell \$125 million worth of goods.

"Our overhead is low, and we honestly do pass that savings on to our customers," Vadon says. "We don't understand why anybody would buy anywhere but with us."

AMI Auto World: The Cadillac SRX, indeed, is pretty cool. • AI Vinikour, SUVQA, as quoted from the Fort Worth Business Press: "...Cadillac's new SRX luxury utility takes a giant leap for Cadillac. • Automobile Magazine: Four words you never thought you'd hear in the same sentence: lightweight, luxurious, fast sport-utility. • AutoWeek: Caddy's SRX is a great driver. • TheCarConnection.com: If our own experience proves true when the car finally hits showrooms, the SRX is likely to win a warm reception. • Edmunds.com: "...the SRX is one crossover that will never get lost in a parking lot. • Car and Driver: "...the SRX is fetchingly refined, perfectly able. More important, it feels expensive. Elegance is always a swell place to start. • AI Vinikour, SUVQA, as quoted from the Fort Worth Business Press: "...the SRX is exactly what the car-buying public needs. • Car and Driver: The pieces just keep falling into place at Cadillac. • TheCarConnection.com: The SRX is, indeed, a technical tour de force. • Automobile Magazine: The SRX reinvents the sport utility as an American automobile. • AutoWeek: Drive the SRX when it hits dealers this summer... • Detroit News: Both the SRX and CTS represent a dramatic new look for Cadillac. • AI Vinikour, SUVQA, as quoted from the Fort Worth Business Press: Mechanically, this vehicle is a jewel. • Edmunds.com: "...the driving experience alone should make it a desirable choice among midsize luxury SUVs. • TheCarConnection.com: The SRX is a handsome vehicle and a solid former. • Richard Russell, CanadianDriver.com: The SRX's StabiliTrak is almost invisible...Where others cut in taking away control, the new SRX's system is like a coach gently encouraging the car back into line. ...it is indicative of phenomenal development work. • Ward's Auto World: SRX is headed for the all-star team. Disbelievers of Cadillac revival: Prepare to be converted. • Road & Track: "...the SRX did quite a few development laps at the Nürburgring and this work shows. • AutoWeek: ...great for rear legroom while still accommodating an optional power-folding third row. • National Post: Simply, the SRX was worth the wait. It will make a few other automakers sit up and take notice which can only improve the breed. • AI Vinikour, SUVQA, as quoted from the Fort Worth Business Press: SRX is a sure bet to be characterized by its competition as the worst nightmare come true. • Automobile Magazine: It is refined, composed and quiet, yet it has a steely, high-performance character underneath. • AutoSpies.com: Many attributes set SRX apart, but at the top of that list is performance. • Automobile Magazine: Everywhere you look, the SRX exhibits leading technology and carefully crafted details, the kind of serious effort it takes to make a serious automobile. • AutoWeek: Steering is spot-on, with good on-center feel and road feel without transmitting a lot of harshness to the driver. • TheCarConnection.com: For a first entry into the fast-growing crossover segment, Cadillac has no apologetic to make whatsoever. • TheCarConnection.com: The bottom line is a completely predictable, smooth and well-mannered ride. • Richard Russell, CanadianDriver.com: The SRX is positively bristling with technology... • Edmunds.com: If you're in the market for a luxury crossover SUV, we'd encourage you to add the SRX to your test-drive list. • Automobile Magazine: Four words you never thought you'd hear in the same sentence: lightweight, luxurious, fast sport utility. • Road & Track: The SRX is a lot of dedicated engineering in the SRX. • Ward's Auto World: SRX's driving experience boils down to one word: confident. • Automobile Magazine: The SRX manages to combine sharp looks, luxury, strong performance, and [available] seating for seven in an SUV package. • AutoSpies.com: Cadillac's new entry brings a heightened level of performance and flexibility to the medium luxury utility segment. • AutoWeek: ...this time, Cadillac may be ahead of the curve. • AI Vinikour, SUVQA, as quoted from Fort Worth Business Press: A near 50-50 [front to rear] weight distribution...outstanding powertrain combinations and a host of the latest vehicle stability technologies tribute to make it what you need to know about the SRX. • National Post: The SRX is a class — generous leg- and head-room, spacious interior, and a power window that can be controlled by the touch of a button. • Automobile Magazine: ...the SRX is the sort of athletic grace that hints at speed, fast, even being pace for pace. • AutoWeek: ...steering and high-horsepower automatic transmission is combined in SRX. • Edmunds.com: At first glance, SRX is instantly recognizable as one of the "new" SUVs. • TheCarConnection.com: The SRX is a class — generous leg- and head-room, spacious interior, and a power window that can be controlled by the touch of a button. • National Post: The SRX shines because of the superb integration of its dynamic elements — rather than finding themselves at odds, the SRX works in complete harmony. • Road & Track: Corvette meets scaled-down Escalade. • Ward's Auto World: ...but the story of SRX's engine performance really should be told with subtitles because inside the cabin it feels like a silent movie. • Auto Motor und Sport: Well done. • TheCarConnection.com: ...it features a rear-drive configuration, but it's also available with an all-wheel-drive package as well. • Automobile Magazine: In short, the Cadillac SRX is not a truck. • Car and Driver: It all imparts the sensation of sitting in a car, not an SUV. • TheCarConnection.com: A big plus is interior space. • Richard Russell, CanadianDriver.com: ...1) it's got the best of everything from the world's largest car maker and 2) it is a genuine delight to drive hard and fast. • Car and Driver: ...the SRX was earnest about taking a set and holding its posture until we unwound the wheel. • TheCarConnection.com: Cadillac has combined the AWD package with a sophisticated version of stability control, dubbed StabiliTrak, along with... other [available] traction-enhancing features. • Richard Russell, Toronto Globe and Mail: Cadillac is building its own unique luxury vehicle off the Sigma architecture. • AutoSpies.com: It's a vehicle able to handle whatever you put in front of it — a utility vehicle with a towing capacity of up to 3,500 lbs. that...looks like nothing else on the road. • TheCarConnection.com: Like its sedan sibling, the SRX has a solid grip on dry pavement. It corners nimbly and there's a minimum of head loss, even on the roughest pavement. • Road & Track: Perhaps the most impressive stat is the Northstar V8's astonishing fuel economy. • AutoSpies.com: Its bold, breakthrough styling instantly announces its arrival in the segment. • Car and Driver: Cadillac builds yet another vehicle we want to drive. • Trend: Most eyes will agree that the...look and proportions translated nicely from concept to production. • TheCarConnection.com: ...there was no question, no matter how we pushed the SRX to its just how well-mannered the new Cadillac is. • AI Vinikour, SUVQA, as quoted from the Fort Worth Business Press: When Cadillac set out to design and engineer its own luxury utility vehicle it with a clean sheet, a great chassis and some benchmarking of the other vehicles that would SRX's proposed class. • TheCarConnection.com: You have the sense that when the road gets busy, the car's [SRX's] electronics start to get busy, but they assist, rather than overwhelm. • Free Press: Cadillac set a tough goal for its new SRX... Match the BMW X5's sportiness and performance to carry passengers and cargo. • Car and Driver: Body motions were nicely controlled. • TheCarConnection.com: ...the SRX has a... — a big, beefy engine, and... general... loads of... Create... dynamics. • Detroit Free Press: The SRX's Bose sound system... SRX's Bose sound system... Cadillac's arrival in the segment. • Ward's Auto World: SRX is headed for...

"It is refined, composed, and quiet, yet it has a steely, high-performance character underneath." AUTOMOBILE MAGAZINE



The all-new SRX certainly looks sophisticated. But under the skin beats the heart of a hard-hitting road machine. SRX V8 is powered by the 4.6L Northstar V8 VVT, delivering a well balanced 320 horsepower and 315 lb-ft of torque. And it has available Magnetic Ride Control, the world's fastest-reacting suspension system. The net result is a pulse-racing driving experience. And that is leaving even hard-to-please automotive journalists reaching for superlatives.

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