# 5 Lessons From Home Depot's Acquisition of Blinds.com

Jay Steinfeld built Blinds.com into a $100 million e-tailer before selling out to Home Depot. Here are five things that made it a spectacular exit.

## Win The Make vs. Buy Battle

Companies like Home Depot have a "make or buy" decision when they see a competitor winning market share. They can opt to buy the competitor or choose to simply re-create what they have built.

An acquirer will likely opt to buy your company if you are so dominant in your niche that recreating what you have built would take too long and cost more than acquiring it from you.

Blinds.com got acquired, in part, because they were a big fish in a small pond. At more than $100 million in revenue, they were the largest online retailer of blinds in America by a long shot. Even though Home Depot has close to $90 billion in sales, Blinds.com were outperforming them in their tiny niche and that made Blinds.com irresistible to Home Depot.

## Run It Like It's Public

At the time of the Home Depot acquisition, Blinds.com had 175 employees, yet Steinfeld had been running the company as if it were public for years. He had put together a top-drawer management team and taken the unusual step of assembling an outside board of directors. He had quarterly board meetings with formal presentation decks, and Steinfeld hired a Big Four firm to complete a full audit of his financials each year.

Steinfeld credits this rigorous approach to running a relatively small company as a major reason Home Depot was interested in Blinds.com and able to close on the acquisition so quickly.

## Keep Most Of The Equity

Steinfeld invested $3,000 of his own money into a basic online presence for his blinds store back in 1993 and grew Blinds.com to more than $100 million in sales without diluting himself by taking three or four rounds of institutional investment, as would be typical of an internet start-up. Steinfeld took a small investment from friends and family and used bank debt to help him buy distressed companies for pennies on the dollar. It wasn't until 2012—almost 20 years after starting the business—that he accepted his first round of "professional" money from a private equity firm who wanted to invest more, but Steinfeld refused, only taking enough to buy out a few of his original investors and pay off some debt.

### Keep Investors Aligned

One of the reasons Steinfeld accepted an investment from a private equity group was that he had become misaligned with two of his original investors. The investors saw the success of Blinds.com and wanted Steinfeld to start declaring regular dividends. Steinfeld, by contrast, was focused on building a growth company and needed the cash to fuel his 25% per year growth. After a while, his investor's expectations got so far out of whack that Steinfeld opted to buy them out.

### Share The Love

One of Steinfeld's best memories is the day he told his employees Home Depot had acquired Blinds.com. Steinfeld had made sure every one of his 175 people had Blinds.com stock options and so stood to gain financially from the sale. Steinfeld went further and gave each employee $2,000 of his own money to start an investment account as a personal thank you for all they had done.