

Dave Levine, SexToy.com

Dave Levine is the quintessential bachelor. He lives the life. Levine resides in the Hollywood Hills, rolls with Los Angeles' A-list, parties like a madman, and works whenever the hell he wants to.

All this and the online sex toy kingpin and owner of SexToy.com is still essentially a one-man operation.

In 1995, the Boston-born, University of Michigan-educated Levine started SexToy.com. His stated goal: to build a successful business with no employees, no office, and no inventory. In other words, Levine wanted to create his own business model. Ten years later, Levine still works from home, contracts all of his extra work, and has a sex toy inventory of zero, while counting roughly \$7 million in revenue per year.

Levine's revenue from SexToy.com doubled every year from 1999 to 2002. In 2002, Levine moved from Boston to Los Angeles for the weather and the nightlife. Since then SexToy.com's revenue has remained flat, but Levine's disposition is brighter than ever.

Even though revenue growth has ground to a standstill, it would be foolish to count Levine out. He insists 2006 will be his biggest year: "I've got a lot of new stuff on the plate. Don't think I'm done, because I'm going to surprise some people yet."

And if he doesn't, oh well. He'll still have L.A., he'll still have a stripper pole in his living room, and he'll still date models.

MJ McMahon: Why sex toys?

Dave Levine: Back in late '94, I saw the Web and said "I have to figure out a way to make money on the Internet," so I just kept trying new businesses. I had this idea to have a mall, so I started selling T-shirts, watches, and books. I had cakes and lobsters—a new store every week. I started to think I'd be better off picking one category and focusing on the approach. The best sales, best profit, and best traffic was [in] sex toys, so that's what I focused on.

There's been some debate about who started the first affiliate program in adult: you or Ron Levi. Which is it?

Well, I say SexToySex.com is the first affiliate program for adult products. As far as membership sites, that is a different world. I started it in 1996, and there was really no competition. I was paying 10 percent per sale, and people were signing up all day. I sent my first check in July of '96.

How did you come up with the idea?

Theoretically it was in my head, but I had people calling me up asking if they could have a store, and I would pay them a commission. It was a customer demand thing. I thought rather than building everyone a store, I should figure out how to multiply these things automatically.

You said you were a geek in high school, and now you roll with Hollywood's high end. How did that transformation take place?

I definitely have changed the social thing. Up until three years ago I was living in Boston, and when I went out I didn't have many friends, I didn't meet many people, and I didn't have much fun. I thought it was me. In Boston, people ask what you do. [I say] "I sell sex toys on the Internet," and they look at

me like I'm crazy. I moved to L.A., and from day one I had a good time. It's a different vibe. I'm a little eccentric: I speak my mind, and I sell sex toys. In Boston that's looked down upon, whereas here, that's a bonus.

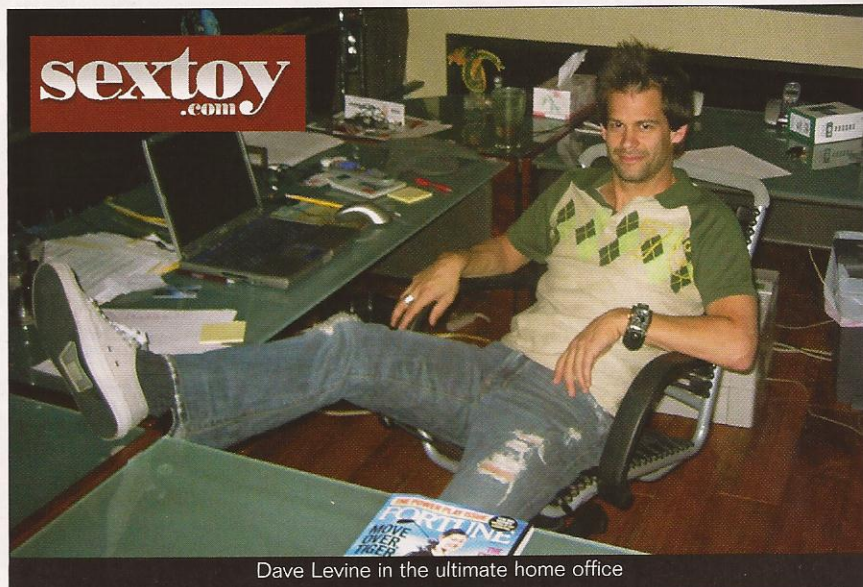
Why did you get into the Web?

My main thing was I needed to make as much money as possible, quickly. I saw the Web, and four days later I told my father "I have to take a leave of absence." I had left New York and was working at my father's company. I knew as soon as I saw it that that was the platform. I had to figure out how to make money on this thing, and I just dove in. As my father says, "If you throw enough shit against the wall, eventually some is going to stick," and I threw a lot of shit against the wall.

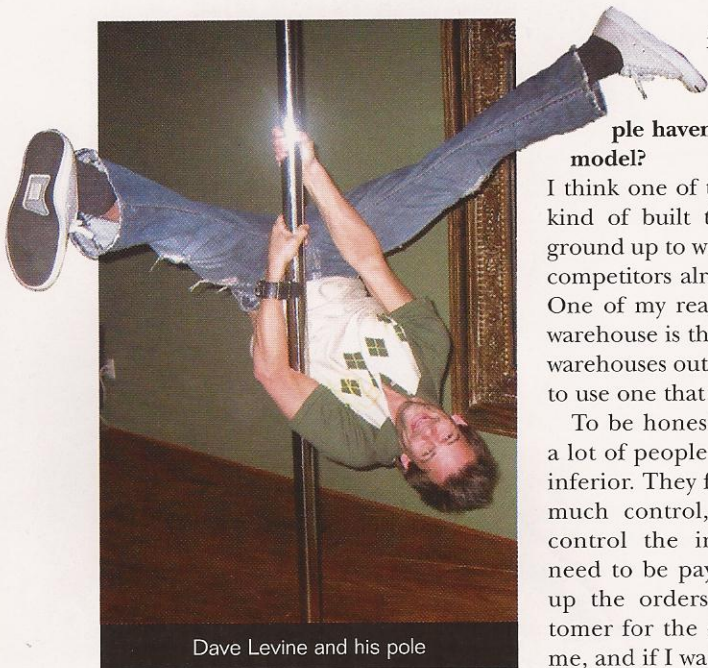
Your stated goal has been to create a company with no employees, no offices, and no inventory. Why?

A lot of business people stifle creativity with suits, hierarchy, and the command-control structures they set up. On the other hand, you have artists who are creative and think profit and money are evil. To me, running a business is like being an artist: Just as you can write a song, you can create a system that makes a profit.

I've always loved working from home. I've always been better working from home. I like making my own hours, being my own boss, and I've always felt more comfortable.



Dave Levine in the ultimate home office



Dave Levine and his pole

So \$7 million a year is all yours?

Well, a lot of people think because I have no employees, I have no costs. Really, there is very little difference between an employee and a contract worker. I have people who've been with me for a number of years, and they get paid more every year. I'm still buying product like everyone else, and I still have three people doing retail customer service, two doing wholesale customer service, someone to manage the affiliate program, two people working on the product database, programmers, and servers, but I'm probably more profitable than most of my competitors.

What's the key to making that kind of money with your business model?

A lot of my business model has come from the idea of how can I make the most money, and that has evolved the model, as opposed to saying I want this model, now how can I make money? If I could make a lot more money with employees and a warehouse, I'd get them. At this point I'm just trying to make as much money as possible so when I get married I won't have to work much. So far I've found the way I'm doing it is not only a way I like, but

financially is the best option.

How come more people haven't copied your business model?

I think one of the reasons is because I kind of built the company from the ground up to work that way. A lot of my competitors already have a warehouse. One of my reasons for not creating a warehouse is there are already so many warehouses out there. It's cheap for me to use one that already exists.

To be honest, another thing is that a lot of people still think my model is inferior. They feel that I don't have as much control, but I don't need to control the inventory, and I don't need to be paying the guy who picks up the orders. I'm the biggest customer for the company that ships for me, and if I want anything, they jump.

What role does partying your ass off play in your life?

When I started my company I was working 16 hours a day, seven days a week. It got better and better, but it was like, alright, I'm in my 30s now, I've got enough money, I need to have some fun.

The other thing is it would be nice to meet a girl and eventually get married. I need to start getting out there. I wanted to have fun, and I wanted to meet girls. As I've gotten into it, I'm now seeing that partying can be a very good

business in itself, as well as a good marketing vehicle. People come to my house and have a really good time. If they're in my industry, they might want to send me traffic. They want to do business with me because they have fun with me. By throwing a good party, it's good networking, it's good marketing, and [in] the party business itself—you can make money throwing parties. I'm starting to look at partying itself as an important part of business, and that's one of the things I'm working on now.

What's the craziest thing you've ever done?

[Sigh; pause] When I was a junior in college I wanted to travel Europe, so I just went over alone. I flew to Greece with a backpack and figured once I got off the plane I'd figure it out. What's the big deal? People go to Greece all the time. I got off the plane and I couldn't read anything, and no one could speak English. At that point I said, "Wait a second. What am I doing here?" I figured it out, but looking back, that seems a little crazy—no plan, no anything. And you know, I've done some other things that I probably wouldn't mention in a magazine.

Do your rich neighbors know that there's someone in L.A.'s other industry in their midst?

I'm not shy about what I do. People generally think it's funny. ☺

Dave Levine on working for the government**After college you worked for the New York City Housing Authority. Tell us about working for the government.**

The funny thing is, when I was in college I thought the government was so inefficient. I was never a fan. I thought working for the government would be pretty bad. I got in there, and it was far worse than I ever imagined. I sat in a meeting once where we created all this fake data, came up with a fake report and fake analysis, just did a whole phony project, so we could convince upper management that we deserved a computer.

Are government employees lazy?

It's not that they're lazy, it's just that there's

no work to do. People get into this job and it pays fairly nicely, you're supported, and they kind of cozy up to it. If someone's going to pay you to do nothing and talk to your friends all day, why not do it? People that are there for years just get used to it. These are people who've become accustomed to making money doing nothing. A lot of people would have a couple things to do. They would have an hour or two worth of work all day, but they're there for eight hours, so what do you do? You convince yourself that this is how things are supposed to be, because you don't want to be telling yourself every day that you're wasting taxpayer money.