

e-commerce SUCCESS

What Works and What Doesn't

By Anne M. Bartholomey

With the dotcom economy falling on hard times last year, e-commerce seems to have run out of viable formulas for bringing in consumer dollars – or has it?

At least one company, namely Convergence, Inc., has managed to remain solidly profitable throughout these hard times – and still has no employees. The idea of having no employees is becoming more popular, as companies seem to be more interested than ever before in the concept of a far-flung workforce. Convergence, Inc. has managed to become the adult Internet's largest company with no employees and, as such, this innovative firm is an international e-commerce trendsetter, and example for 21st century online business models.

Convergence, Inc. actually does have many people working with the organization, but they aren't "employees" in the conventional sense. They have affiliates promoting their adult novelties, offered on sites such as www.SexToySex.com that are owned by Convergence. The affiliates work independently, earning commissions on all sales. They also have outsourced customer service/order fulfillment reps, who work from home or at phone centers. For shipping orders, they outsource several strategically placed regional warehouses.

RELYING ON AFFILIATES

Relying on affiliates who work out of their homes, instead of having employees, may cause some people to conjure up the vision of a bathrobe-clad worker, sitting in the comfort of a home office. However, with



DAVID LEVINE

Convergence became the largest distributor of sex toys at wholesale prices at SexToyClub.com.

Minus corporate offices, employees, and with low-to-no overhead, Convergence has become one of the largest, most profitable and innovative distributors of sex toys on the Internet. Indeed, it is a role model for the entire emerging e-commerce industry. Convergence, Inc.'s President, David Levine, insists, "Just as Compaq computers cannot compete with Dell's superior business model, our model is proving unbeatable. All we do is own the software, own the customer lists, and handle all the money. Warehouses, inventory, and employees are distractions, and expenses that hold back our competitors."

THE MAN WHO WOULD BE KING

Klixxx wanted to find out a bit more about the man behind Convergence, Inc., its president, David Levine, so we had a little chat with him.

KLIXXX: How did you get started?
DAVID LEVINE: Well, I originally just wanted to have a business, working out of my house. I had this idea: no employees. I had a mall, selling t-shirts, books, lobsters, cakes, etc. on the Internet. After awhile, I saw no advantage to having a bunch of stores, so I focused on the better ones. Within a year or so, I figured that the key was to pick one niche- and focus on it. It became clear that the sex toy store was the best, so I decided to become the king of sex toys.

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the arsenal of technologies available to companies today, a remote workforce creates efficiencies that greatly boost the bottom line. A remote workforce also allows a company to have representatives living all over the world, eliminating the need to open an office in each location. The idea of having people working with an organization who are not employees and who do not need office space is an attractive, as well as a money-saving concept.

WHY IT MAKES GOOD BUSINESS SENSE TO OUTSOURCE

In today's globalized, networked economy, outsourcing has never been so easy or made so much business sense. These days, the question is not "Why outsource?" but rather, "Why not?" It's a fact that every minute your employee spends on an activity that is not directly related to work and helping a customer is a cost that can be saved. Many organizations are now looking at outsourcing not as a cost-saving option, but often as the only viable option for many of their activities.

While traditional brick and mortar companies monitor workers by physically watching them onsite, Convergence, Inc. firmly believes it is more efficient to monitor work through computer software. According to Aestiva software developer, Curtis Palmer, "Whether it's the warehouse shipping orders or customer service reps accessing information from home, everyone uses Convergence's custom-built software, which is designed to guide and monitor the work being done."

Outsourcing is quickly becoming an accepted practice, with many of today's executives rethinking the traditional, vertically integrated company in favor of a more flexible organization structured around base expertise and long-term, outside relationships.

Convergence, Inc., which began as an e-tailer at SexToy.com back in 1995, appears to know what its customers want and need, as well as how to use affiliates and outsourcing to the advantage of everyone involved. In 1996, Convergence built the Web's first affiliate program for selling sex toys online, now called SexToySex.com. Recently,

“Customer service will be toll free 24-hours-per-day.”

KLIXXX: What do you do for fun?

DAVID LEVINE: I snow ski and water ski. I do karate, yoga, biking, and a lot of workout stuff. I go out to bars, dancing. I like to travel here and there, though of late it's been somehow business related — conventions and stuff. I think that trend is over, though. I managed to go to all the different conventions, and eventually it gets kind of old.

KLIXXX: What made you decide to choose to get involved in the adult Internet industry?

DAVID LEVINE: It was really just the numbers. I had more traffic, higher sales and better margins for selling sex toys than any other product. Just within adult products, I found toys to be easier than lingerie or videos.

KLIXXX: In your opinion, do you think the adult industry should be trying to gain acceptance in the mainstream industry, or should it be left to play out on its own?

DAVID LEVINE: I believe that sex toys will eventually be mainstream, and I think we should all actively try to make them mainstream. I think sex should be accepted and considered normal. I think everyone should be pursuing that way of thinking, because we'll have a healthier society if we all accept it. I don't know that any of the more extreme bondage types of toys should be mainstream, but the general vibrators, dildos, etc., definitely should. The extreme toys will never be accepted in the mainstream, but our programs are very customizable.

KLIXXX: What could be done to help gain mainstream acceptance?

DAVID LEVINE: It is already getting more and more mainstream. I've been doing this for 6 or 7 years and

it's getting better each year. With the story lines in *Sex in the City* and other shows, it's gaining acceptance. I make my store nice. If you act like a quality company, you'll be more respected and it'll be easier to get into mainstream. If the site shows a lot of products that people might like, it'll be accepted. There's a natural progression towards mainstream acceptance when you offer products that appeal to the mainstream group. Because our programs are very customizable, it's possible to make it appeal to the mainstream group very easily.

KLIXXX: What do you think keeps customers coming back to your site?

DAVID LEVINE: A very big selection that's easy to shop and search for. Our site offers big pictures, along with lots of details and descriptions. We even have measurements. One of our competitors said he'd use our site just for that [measurements]. Also, customers get orders quickly once they order, and we have excellent customer service. It's pretty much being good at what you do.

KLIXXX: What are your goals for SexToySex.com in 2002?

DAVID LEVINE: We've grown a lot. Last year and the year before we grew by 80%. In fact, we grew over 70% three years in a row. I'd like to continue that growth for 2002. We're upgrading our shopping cart. I don't like talking about things before they happen, because whenever you talk about it, it doesn't happen. We plan on integrating audio and video into the toy site. We sell sex toys at wholesale prices and that has also been growing quickly. We plan on that becoming a bigger seller. And, we're

going to have an "800" number for our customer service. It will be toll free 24-hours-per-day.


KLIXXX: Do you have any mainstream supporters? If yes, who?

DAVID LEVINE: There are some, but to be honest, I don't know their names off the top of my head. Most of our biggest affiliates are targeting the adult industry. I have seen sites that just sell our softer stuff, though, as once again, our programs are very customizable.

KLIXXX: How do you handle customer problems?

DAVID LEVINE: We try to do as much as we can online. We'll have a big FAQ (Frequently Asked Questions) up in the next couple months. We give invoice and tracking numbers. We have either e-mail addresses available on the site, or a form to submit electronically. Most is done through e-mail. We have people working from home who answer the e-mails daily, and we have phone support.

KLIXXX: What makes webmasters want to work with your company?

DAVID LEVINE: We were the first sex toy affiliate program. We're pretty good at managing it. And, we pay. We close the month, and within a few days the checks are mailed. We've been doing that for six years. Also, our site is very customizable, and it makes it look like the site is the webmasters' own. Our administration area is pretty easy to navigate, and powerful — between customizing and checking statistics. 

Convergence, Inc.'s main site is www.sexttoy.com, their sex toy affiliate site is www.sexttoysex.com, and their wholesale sex toy site is www.sexttoyclub.com.