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Cathy Cheney | Portland Business Journal

Monsoon Inc. CEO Kanth Gopalpur saves money by subleasing different offices. The Portland company, which has grown to 40 employees, will move into a new building in Old Town/Chinatown next year.

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## Sell structure

*Portland Business Journal - by [Aliza Earnshaw](#) Business Journal staff writer*

Having weathered the startup storm, [Monsoon Inc.](#) is hoping for a big return on its capital.

Monsoon, a four-year-old Portland company, sells software that helps people sell books, music CDs, DVDs and other goods at Web sites such as Ebay or Amazon Marketplace.

The company grew 125 percent last year, and has told its investors that its revenue should grow 75 percent this year, to slightly less than \$5 million.

Monsoon also turned a profit in the third quarter and expects to continue making money.

To cap it all, founders Kanth Gopalpur and Clark Hale have done it on \$1.85 million -- and they don't need a penny more.

"I'm invested currently in eight companies, and I've invested in others outside of Oregon, and I've never seen an entrepreneur manage resources as prudently as Kanth," said Dennis Powers, a minority investor.

Gopalpur, Monsoon's CEO, has controlled expenses carefully. Software companies have two main expenses: salaries and office rent. Gopalpur has saved on rent by subleasing a series of different offices.

The company, which now employs 40 people, will move in January into an Old Town/Chinatown building that is being remodeled for creative and technology companies. It will be the first time Monsoon has paid market rent.

Mostly, though, Monsoon has saved money by sticking to a particular market, rather than trying to develop the software in many directions at once.

That's rare, in Powers' experience.

"Most entrepreneurs love new ideas, and new adventures, so they have to add new features and new products," he said. "That creates more things to manage, more infrastructure issues, more service issues" and more expense.

Monsoon has concentrated on a market Gopalpur knows very well: online sales of what he calls

"media," or books, recorded music and movies on DVD.

Gopalpur launched the [Powells.com](http://Powells.com) e-commerce Web site in 1994 for Portland landmark [Powell's Books](http://Powell's Books).

He moved on to Portland music store Django's, and helped build the company's Web business to nearly half its total revenue in one year.

Gopalpur realized that many small sellers were turning to online marketplaces to sell their wares, and needed an easy, inexpensive software package to integrate inventory control and online sales.

The extra ingredient Gopalpur and his co-founders created is an automatic pricing feature that scans the Internet regularly for pricing on individual books, CDs and DVDs. The seller can then decide if he or she wants to sell always at the lowest price, or fix some other parameter for setting a price relative to the market.

"They've taken very specific niche information and built a business around it," said Eric Pozzo, a Portland entrepreneur who also invested in Monsoon. "That unique domain knowledge creates a sizable barrier to entry," and a sharp competitive edge.

Monsoon does have competitors. But Gopalpur says his company regularly wins customers from other software packages -- most notably, that offered by [ChannelAdvisor Corp.](http://ChannelAdvisor Corp.), a \$30 million company that raised \$30 million in venture capital this year -- simply because Monsoon's software is expressly designed for media sales.

Though that's a narrow slice of the online market, Monsoon is now expanding. The company recently signed customers much larger than the one- and two-person businesses that were Monsoon's initial customers, including two large nationwide retail chains that have begun to sell goods online.

Portland retailer [Music Millennium](http://Music Millennium) is also using Monsoon's software to sell online, and so is Newbury Comics, a chain of 23 stores in New England.

Though these retail companies are big enough to build their own e-commerce sites, that's an expensive venture. It's easier and more efficient for them to sell through the same established marketplaces that smaller sellers use.

But companies selling goods other than books and CDs are interested in selling online, too. And that's where Monsoon's next expansion comes in. The company has at least 10 customers selling other products: automotive parts and consumer electronics, for example.

The key to expansion is seeking out customers whose products have unique identifiers similar to ISBN numbers on books or model or part numbers. These identifiers make it possible for Monsoon's software to seek competitive pricing information across the Web.

Some Monsoon investors who placed their bet two years ago assumed they'd get a payoff in three to five years. But with the company growing fast and turning profitable so quickly, they're prepared to wait.

Pozzo, who has started and sold a company of his own, First Silicon Solutions, said that holding off on a sale until revenue multiplies can yield a significantly higher return.

"A \$10 million [annual revenue] company is worth far more than twice what a \$5 million company is worth," he said.

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