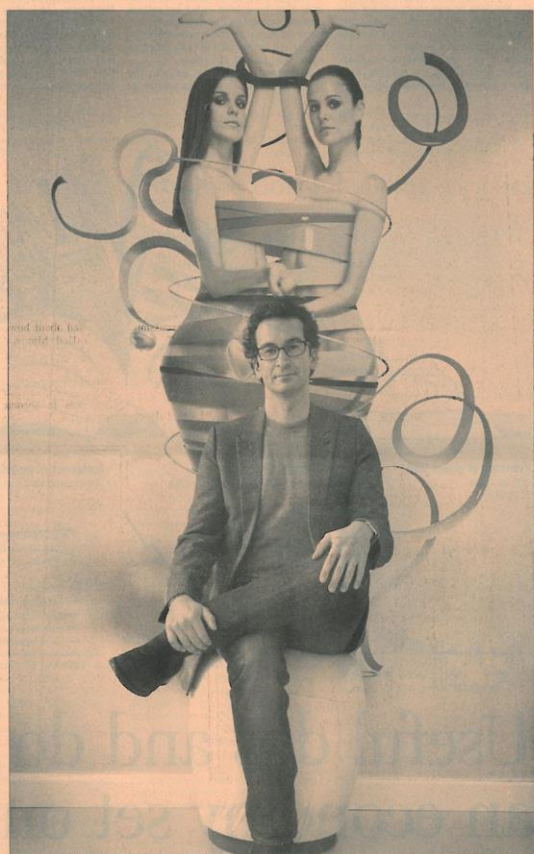


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Dare to be different: Federico Marchetti says 'Don't listen to the experts' Davide Lotti/ROR

Fashion retailer cuts a dash online

Federico Marchetti, founder of clothing site Yoox, persuaded the big labels to let him sell their garments on the web, writes Adrian Michaels

The world of high fashion presents a public face of catwalks and cocktail parties on hotel terraces. Yet much of the real work is likely to take place in grey warehouses in drab logistics and distribution parks.

At one such site on the outskirts of Bologna recently, the uniform industrial lines on display were set off by fringed black clouds and driving rain. Inside, though, lie the operations at the heart of one of the fastest-growing companies in online fashion retailing.

Founded by Federico Marchetti in 2000, Yoox started by selling end-of-season fashion gear by big names on its own website. It has since successfully broken down two barriers: persuading people to buy clothes before trying them on by offering a trial period at home and a free return service; and persuading high-end fashion companies to relinquish control of the marketing and distribution of some of their clothes.

Mr Marchetti is still selling the end-of-season lines, which fashion companies traditionally move through discount outlets, but also offering other items such as vintage clothing and work by new designers. It has been a gradual process of persuading fashion companies to put part of their brand management in someone else's hands. Yoox, for example, has never displayed the original retail price of items, or presented its offerings as discounts. Instead all items are sold at their "Yoox price".

And the company has now succeeded in winning contracts to build and manage the internet retail sites for such famous companies as Armani and Diesel. Further deals are in the pipeline. Gross sales have grown to €90m (£134m) in just eight years, the company is heading to profitability and headcount has risen from 40 to 200 in the past four years. An initial public offering is being considered for 2009, which will propel Mr Marchetti further into the spotlight.

The 39-year-old founder says he had wanted to be an entrepreneur from a young age. "I came up with many ideas before but none of them were good ideas."

Mr Marchetti, who speaks softly and with a ready smile, corrects himself. "Actually some of them were good but I couldn't leverage my expertise. When I was 19, I came up with the idea of putting together a cellphone and a camera (this was in 1991). Perfect idea - now everyone has it - but I'm not an engineer so if I'd knocked on Nokia's door they would have said "Thank you, bye-bye."

Mr Marchetti displays a sense of humility when describing how he set about building the right skills to run a business. "Even if I had dreamed of being an entrepreneur since I was about 15, I knew that I didn't have any experience or background and I had to learn," he says.

In the past, he believes, entrepreneurs could be driven by instinct. "I took a different approach and I decided to learn as much as possible in the shortest possible time in

order to make the fewest possible mistakes."

At 19, he left his home town of Ravenna, on the north of Italy's Adriatic coast, and went to Bocconi university in Milan to study business. He did an MBA at Columbia Business School in New York, specialising in retail and entrepreneurship. "None of these jobs I liked, most of them I hated. But they were very functional to my learning in order to start my own business."

He says he learnt about business

plans at Lehman. "In terms of dealing with my investors I think it was very good... You need to approach (potential investors) on your own. It's very important that you do the spreadsheet yourself in Excel - sales, margins, write-offs, variable costs, fixed costs. You understand where the red flags are."

Before approaching investors, though, he needed to have his big idea. This came in 1999, when he saw the possibilities of putting the internet together with fashion. "Fashion is about exclusivity and the internet is about accessibil-

ity... if you are called Pucci (the Italian brand that is now part of France's LVMH) you are a very exclusive brand, [and] online you can have one store with your name. It's the perfect location."

Mr Marchetti also had no money. An internet company was an attractive option because of its relatively low costs. "I was 30 and living in Milan. This was end of 1999. I was jobless and had a lot of debt. I had a business plan and a lot of enthusiasm. In Italy, venture capitalism is not so developed. Everyone said 'What a fantastic idea, who else is financing you?' They

Joint initiative to bring high-tech culture to Italy's students

One of Federico Marchetti's most important decisions was to base his internet company in Italy, a country not known for its venture capital and with a very small IT sector. He says these concerns were outweighed by the need to woo Italian fashion houses.

"I think of Yoox as a fashion company via the internet rather than an internet company selling

fashion." To fashion houses, he says. "We have the same roots and we understand that what they are selling is emotions... it's been a very strong competitive advantage to be based in Italy."

But the downside is the difficulty of finding people in a country he says has no technology culture and no culture of service.

Mr Marchetti says he spends

one-third of his time recruiting.

Now Yoox is tackling the problem head on in conjunction with Politecnico di Milano it is co-founding a master's qualification in internet retailing and fashion. The first students will start in October and Yoox staff will host some seminars. Mr Marchetti is hoping he can recruit a few of the graduates.

were just waiting for someone else to make the first move."

Soon, however, he met Elserio Pini, a former senior executive at Olivetti. Mr Pini agreed to pay €1.5m for a share of the business and another €6m on condition that in three months the website was running, the first orders were coming in, and some key recruits such as directors of logistics and information technology had been made.

"They can touch and try everything, but at home - not in a shop. It's probably a more favourable location"

Mr Marchetti established that the concept behind the company worked by agreeing a partnership with a store in Bologna. He took products on consignment from the store's warehouse and sold them online, keeping a percentage of sales revenues.

No one, he says, was buying fashion on the internet at that time, so he attracted publicity and the orders started to arrive. The second tranche of funding was secured, just. "In April-May 2000, the bubble burst for internet stocks. If we had not had a contract for the second tranche it would never have happened." He recounts how he changed the company name from Yoox.com to Yoox Spa, the latter suffix being the Italian equivalent of "inc" or "Ltd". "In 1999 [you needed] 'dotcom' [in your name] and then one year after... if you were a dotcom they treated you like crap."

Mr Marchetti says about 75 per cent of Yoox customers are satisfied former customers. "Once you try and you understand how it works, you come back... they can touch and try everything, but at home - not in a shop. It's a different and probably more favourable location. At home you can mix and match with your wardrobe. You have two weeks to change your mind. In a shop the timeframe is half-an-hour."

About 20 per cent of orders are returned, a percentage that has remained stable over time. At almost €10m, by far the company's largest cost is its UPS bill.

Yoox is growing so fast that it has moved warehouse three times. The latest, in the Bologna industrial park, is a short drive from the company's headquarters and has 18 photography studios amid 20,000 sq m of storage space. Every item sold by Yoox on its own website or on those it has built for other companies comes through Bologna or other warehouses in Tokyo and New Jersey. In eight years, Mr Marchetti has built a global operation.

What advice does he have for entrepreneurs? "Many people tell you what to do [but] there are no experts, don't listen to the experts. There are too many people doing things by the book. You can be successful only if you have the courage to differentiate."

