

To those who always regarded luxury online shopping as a joke - Interview with the Founder and Global CEO of YOOX Group

In December 2009, the YOOX Group, established by Marchetti became the only new company listed in Italy in 2009.

In December 2010, Marchetti travelled to Beijing for a press conference to formally announce YOOX Group's start of business in China.

Nowadays, YOOX Group boasts six branches worldwide and distributes products to 67 countries.

Its website supports 9 languages and 5 currencies. Products are delivered within 48 hours in the EU and within 4 days in the US and Japan.

Still remember Boo.com? In 2000, Boo.com, known as "the world's first online fashion store", had an enormous investment of 125 million pounds in six months but was soon forced to declare bankruptcy. The planned online fashion dream vanished along with the Internet bubble at the end of the last century. It can be imagined that people who still used dial-up Internet access at that time were still wary of online shopping.

On March 21, a few weeks before the collapse of Boo.com, Federico Marchetti, a young Italian entrepreneur, founded the online fashion store YOOX.COM in Milan. The first line of his business plan reads: "YOOX Group is the global Internet retailing partner for leading fashion & design brands."

Ten years later, this proclamation has come true. Over 20 official Online Flagship Stores of well-known fashion brands are powered by YOOX Group, including Jil Sander, Dolce & Gabbana and Valentino. YOOX.COM and THECORNER.COM, its own two multi-brands stores, are among the group's most popular.

More remarkably, YOOX Group became the only listed company in Italy in December 2009. Against the backdrop of the global economic crisis, only five companies were listed in the entire European continent (the other four consisted of two in France and two in Germany).

On December 1, 2010, Marchetti was in Beijing for a press conference to announce YOOX Group's start of business in China. Prior to this, official online luxury purchasing in China was a blank space. "It is expected that by 2015, China will be one of our top three markets." However, we are not in a hurry to make money. The current priority is to improve the quality of electronic commerce here. Marchetti, who flew specially to Shanghai for an interview with *The Bund*, said: "I am a brand guardian on the Internet, so always do my best to protect them from being hurt."

The YOOX Group will start business in the Chinese market through mono-brand and multi-brand online stores. Multi-brand THECORNER.COM plans to officially open in China in the second half of next year. Mono-brand online flagship stores will be launched gradually. The Group's first brand in China, *emporioarmani.cn*, was launched on November 26. Which will be the next one? *marni.cn*. Marchetti exclusively revealed to *The Bund*.

An Italian unlike Italians

Early in the morning of November 29, when the journalist spotted Federico Marchetti in the lobby of the Puli Hotel, the businessman and his assistant had just finished stored away their luggage. After the interview, they would fly to Beijing to prepare for the press conference two days later.

As soon as you see Mr. Marchetti, you can tell that he is a Italian, before he even speaks. A trimmed black beard, yuppie black-rimmed glasses, casual stylish clothing – the Italian man's unique fashion factors are unmistakable. That day, he donned a pair of ankle-high moccasins, bought from *jilslander.com*, pants by Turkish designer Umit Benan bought from THECORNER.COM and a few years-old jacket and polo-neck sweater from Alexander McQueen. "YOOX.COM was the first online store selling McQueen clothes," Marchetti started proudly, in a clearly discernible Italian accent.

41-year-old Marchetti has never driven a car himself, despite his wealth of hundreds of millions. He has never bought a car, not a single off-road vehicle or SUV. Every day he rides a classic, 1970's style bicycle between his office and home in Milan. The bicycle is a treasure from a flea market nearby his office. Of course, one could say that by the year 2010 the concept of green travel has been firmly established in Europe, but do not forget, Marchetti is a member of the fashion world, who deals with luxury every day, not to mention, he is Italian - and does not even have a Vespa! "I am not a good Italian." He admits, "I do not love football, I do not cook, and I like to eat Japanese food."

Fortunately, he at least has an unwavering passion for fashion. Born in the inland city Ravenna, Marchetti is from the same place as photographer Paolo Roversi. Since childhood, he has loved rare things. He prefers to hunt through antique stores and flea markets for clothes and trinkets, things that can't be found elsewhere. As a teenager, he found a pair of heavy yellow boots when he was traveling in London. The boots are as high as a hill and the style is exceptionally different. A few years later, Timberland-brand boots became very popular in Italy.

In 1999, after finishing MBA courses at Columbia University in New York, Marchetti, with American dreams, returned to Milan. The idea of starting his own business started taking shape in his heart. He had seen many things and learned even more in the US, such as venture capitalists all over the Silicon Valley, thousands of opportunities in the Dotcom era, and young entrepreneurs who became rich overnight. Becoming an entrepreneur had always been Marchetti's dream, and he was interested in retail, fashion, luxury and media. Why not bring them together?

"My idea was to bring the fashion industry and the Internet together and to become a brand partner on the Internet. I decided to give my company a simple but eye-catching name, and fortunately, the domain name YOOX.COM had not yet been registered!" Marchetti recalls how he had no money at the time. All he had was a unique domain name and a great idea. This domain name and idea, however, brought him his first bucket of gold in the shape of 1.5 million euros from an investment company in Milan.

A great idea

Although the collapse of Boo.com was like alarm bells for his peers, when YOOX.COM and Net-a-Porter.com appeared in 2000, netizens had already begun a close relationship with online shopping. This is a gradual process. First, there were book sales from Amazon.com; followed by music downloads and finally shopping online for clothes. After the bitterness of failed attempts at eBay auctions, the victory of acquiring Marc Jacobs sports shoes from YOOX.COM tastes even sweeter.

At first glance, YOOX.COM is not as glamorous as its competitor, Net-a-Porter.com from London. If the package and design of the latter were elegant as *Vogue*, YOOX.COM was the up-and-coming magazine with innovative ideas that attracted a younger audience. YOOX.COM became famous almost overnight by selling international designer items (such as main line shirts from McQueen at USD 99). But for aspiring Marchetti, that was just the first step of becoming the "global Internet retailing partner for leading fashion & design brands".

In 2006, the chance came. Marni's Creative Director Consuelo Castiglioni assigned the task of creating its brand's online store to YOOX Group. "Consuelo is a visionary. She does not want to sell Marni products in other online stores, because she worried about putting into someone else's hands, the brand image and reputation that she had worked so hard to build up over the course of many years. YOOX Group could help her to avoid this by creating an exclusive online store in full compliance with the Marni sense of aesthetic - marni.com." Marchetti said.

After Marni, Emporio Armani (2007), Diesel (2007), Valentino (2008), Emilio Pucci (2008), and Dolce & Gabbana (2009)...from 1 online store per year in the past to the current 6 online stores, Marchetti and YOOX Group have witnessed first hand the rapid development of luxury e-commerce. "Ten years ago, the brand's owners worried about the quality of their online stores. Today, the services of some real, brick and mortar shops, are actually inferior to ours". Marchetti claims.

The 23 online brand stores powered by YOOX Group are all different. Imagine how different the clothes of Marni and Emporio Armani are, and you will understand how different their online stores will be. The only similarity is the words "Powered by YOOX Group" in the corner of the website. This English phrase not only means that YOOX Group provides technical support for the brand, but also means that YOOX Group is in control of the entire supply chain from customer service to logistics. All of the goods sold in the online stores are stored in the logistics centers of YOOX Group in Virginia in Italy, New Jersey in the US, Tokyo in Japan, Shanghai in China and so on. YOOX Group is responsible for delivery, return, invoices and other services. In addition, they also analyze network marketing budgets for clients. It has exclusive offices responsible for designing the style of each shop and has been involved in social networking and mobile phones. In return, the brand not only pays YOOX Group the operating costs of the site, but also grants YOOX Group a percentage of revenue from sales.

In 2009, YOOX Group became listed, despite the depression, causing quite a stir in Europe. At this 'inconceivable' achievement, perhaps only financial analysts were unsurprised. "I think no one interfered with my development over the years, because before December 3, 2009, the Italian business community simply ignored my existence. In 9 years prior, they believed that online shopping was a joke. Italian people only care about TV." Marchetti said.

An entrepreneur in love with design

Amidst this group of compatriots indulged in watching TV, Marchetti selected his team. In the early days, he had just a few staff. Now, there are more than 400 employees worldwide, of which 60% work in the headquarters in Italy. Half of them are men and the other half are women. Their average age is 30 - "almost the same as our customers". The most famous member of YOOX Group is the 70-year-old architect Alessandro Guerriero. Each month, he and current Creative Director Alberto Biagetti design a cover together for the website, the so-called YOOXcover. As with fashion magazines, the cover girls for YOOXcover are different for each edition. They never wear clothes from just one brand, but are clothed in design elements and abstract patterns. "Fashion designers draw a red skirt while imaging fire, but we can create a skirt made of fire". Biagetti says.

Since the founding date, 100 editions of YOOXcover have been published. It once featured the Athens City Museum and Milan Triennial Exhibition. "A lot of people do not understand the image on the home page of YOOX.COM. They constantly ask why it always changes. We have to repeatedly explain. YOOXcover is not for sale, instead, it's our company's artistic expression, Marchetti said, "We hope that it will some day be selected for the Shanghai Biennale Exhibition." At his home in Milan, Marchetti collects the decorative works of many artists, including Ettore Sottsass, Franz West, Yoshitomo Nara, Mark Kostabi, etc. It's easy to see his love for design.

Owing to his interest in innovative and creative products, Marchetti enriched YOOX.COM catalogue 4 years ago by adding the category, "Design", namely unique small furniture, lamps and interior decoration items. The million-dollar question here was, would those who spend USD490 for a pair of Givenchy boots also buy a Memphis-style vase at USD2,000? This time, Marchetti won again. As of the first quarter of 2010, the net profit for household goods on YOOX.COM doubled. Established & Sons, one of the world's finest furniture brands, has also opened up a shop with the Group. "Half the people who buy household items from YOOX.COM also purchase fashion items," Marchetti says.

The pure fashion shop THECORNER.COM, established in 2008, extended the design and artistic concept. Minority brands and designer brands gather here. Each brand has its own so-called "mini-stores". In addition to showing an array of products, it can also play designer interviews, videos, or short films, such as that of Hedi Slimane. In the past, products were promoted by retailers after being presented online. THECORNER.COM allows designers to determine their own brand image. In an interview with the *New York Times*, Marchetti compared the idea of THECORNER.COM with a museum: "A museum is a big exhibition with a small shop, but we are a large shop with a small museum."

Service as Priority

Net-a-porter.com and its founder Natalie Massenet are no doubt the biggest competitors of Marchetti. "It was strange that at a Marni collection showing, my allocated seat was next to Natalie. Naturally we talked and laughed. If people had paid attention to us, they would have gotten a fantastic photo." Marchetti said. He was convinced that the listing of YOOX Group made the Richemont Group acquire Net-a-Porter.com 4 months later.

In Marchetti's opinion, Boo.com failed not only because of its adoption of pretentious technical processes such as 3D videos with Javascript and Flash and salesmen in the shape of cartoon characters, but also for their overt reliance on marketing. In contrast, YOOX.COM adopts an utterly contrary business strategy, on which Marchetti spent the erstwhile marketing fund on service. This summer, Marchetti stayed at the prestigious Aman Bali hotel on holiday, where he experienced the legendary seven-star service as a reward after the company's listing. As someone who is generally not too concerned about service, he had joked that he himself was the most wanted person by all five-star hotels in Paris, even Bristol Hotel which boasts of their service as the ultimate first. Marchetti said with a smile, "If only Aman was in Paris!".

Marchetti has more stringent requirements of his own company. At present, YOOX Group has six offices worldwide, products from which are delivered to 67 countries, and the website of which supports 9 languages and 5 currencies. Despite a powerful delivery system (assurance of delivery within 48 hours in the EU and an average delivery time of 4 days in the U.S. and Japan), a humane policy on returning goods with free shipping within 7 days and packaging bags made of degradable materials all make for high expenses, Marchetti truly believes that the pursuit for quality is tantamount to YOOX Group's long-term development. His motto is that "Word of mouth communication between customers is the best publicity for us."

"Last year we paid the effluent fee of ten thousand euros for carbon emissions caused by the delivery of our goods. Although using 100% recyclable shopping bags increases our costs, I think it makes sense," says Marchetti.

After launching in China, Marchetti wants to impart his principle of "Quality First" to the Chinese. "The Chinese government is very smart. They not only want us to invest, but also to input technologies and concepts." He said, "We are indeed doing so; the staff we employ are all Chinese. YOOX Group has 10 years of valuable e-commerce experience. We will bring everything we know about operations and services to China, but we will do in China as the Chinese do because that is the only way to succeed in China. Let us wait and see.

B=The Bund
F.M=Federico Marchetti

B: Fashion brand websites were in their infantile stage in 2000, for example sites such as Prada.com were still under construction. Why then did you choose fashion?

FM: It was eleven years ago, in December, that I resigned from previous company I was working for and I realised to start my own company. The idea was to bring together the fashion world with the internet world: to be the partner of the brands on the internet. Have you seen the Social Network? My situation is not like the movie. I was not a technology man and I was not a fashion person. I was none of the two, and that's why I could be such a good bridge. I chose fashion is because since I was a child, I'd always liked retail. I am passionate about final customers, and I did my MBA at the University of Columbia with the mind of developing my own business.

B: How do you come up with the name YOOX Group?

F.M: The name... the point was that I wanted something short to identify what we do. I wanted my company to be a brand, because X and Y is human DNA. And... X and Y are also like X's and Y's in "luxury". And between them, the O, is also like... zero, the binary code, which is the DNA of the internet, to link X and Y. So it combines the DNA of technology, fashion and people. I think I was very lucky to get this name; you know, domain names of .com with four letters were almost all registered at the time.

B: How did you find investment?

F.M: After Christmas 1999, I found a venture capital firm. In Italy there are not so many venture capital firms, nothing like that in Silicon Valley. There are only two or three... So I called the best one, and they said "Okay, we'll give you the first 1.5 million EURO" for 33% of the shares. The firm finished the contract around mid-March and I established the company on 21st March in 2000, the first day of spring in Italy. We opened YOOX.COM for the first order on the 21 of June, which was the first day of summer. The rest is history.

B: So YOOX.COM was just a website selling off-season fashion clothing...When did you decide to change?

F.M: I never changed my plan. Of course at the beginning the website was mainly concerned with off-season clothing, but you take things step by step because you cannot do everything in 3 months. The vision of YOOX.COM has always been to be the home of products that you cannot find anywhere else, ranging from vintage, art, books, young designers, special collections, special collaborations, end-of-season clothing, and so on. The concept of YOOX.COM is wider than just selling off-season products, which are just one single aspect of the whole picture. YOOX.COM also combines together interesting products. This Christmas season, we are featuring a perfume with the same name as Anna Dello Russo that is sold exclusively at YOOX.COM.

B: Which was the first brand to collaborate with YOOX Group?

F.M: The first brand was Marni. Consuelo (Creative Director) was very forward-thinking. She didn't want to expose her brand and its reputation to harm by selling Marni products through a different distribution channel on the internet. YOOX Group was in a position to help her, so we developed a relationship with them and made the Marni.com an exclusive online store according to their artistic direction. marni.com is very similar in terms of the image of the physical store because we respect her ideas, for example, Marni's physical stores are famous for their silver streamlined coat racks, consistent with 3 colors: silver, grey and white in the background. The product layout gives the feeling of floating on the page.

B: What is the difference between YOOX.COM and THECORNER.COM?

F.M: Each website that we operate is very different. YOOX.COM is cool and fun stuff, a mix of design, books, art and fashion, and THECORNER.COM is pure fashion, fashion luxury, where each designer has their mini-shop to show their design with interviews, video conferences and anything else they want to share.

B: Do you think this is a good time to launch in China? Why?

F.M: I think so. As I read the "Twelfth Five-year Plan" of Chinese government and also I previously made a five-year plan from 2011 to 2015 for YOOX Group. I found that we happened to share the view that online marketing will account for 5% of the total retail market in the future, thus I was reassured that my ideas are consistent with those of the Chinese government. The first time I came to China was 2003, and I was worried because of the infrastructure that was not able to match luxury e-commerce. Now the quality of the infrastructure in China, such as transportation, is still improving. We have been preparing for a year, our group was listed in December last year and launched in China in December this year. December is the key month for YOOX Group!

B: How do you do in China as the Chinese do?

F.M: We have established a logistics center in Shanghai and employed a team consisting of only Chinese staff. The website interface is in Chinese, providing size conversions and allows for complete Chinese-language customer service. In the first 6 months, our main task was to learn and observe. Before that, we had established a specific technical office to meet the huge demands for mobile phone service in Japan. We are also likely to provide specific customized services for the local Chinese people in the future.

B: YOOX Group's biggest rival, Net-a-Porter.com, has been acquired by Richemont. Have you ever thought to sell your company?

F.M: I have had opportunities to sell my company. But, I am an entrepreneur. And entrepreneurs are different from managers. Managers work for somebody, entrepreneurs work for themselves. And I enjoy too much the freedom of not having a boss. That's why I created YOOX Group. The other reason is because YOOX Group has confidential information from all of its brands, with whom we keep separate and highly valued relationships. That's why I don't think it's a good idea to allow YOOX Group to be acquired. I am a brand defender on the internet, so I will do my best to protect from harm.

B: So are you a good boss?

F.M: That depends... You know I expect a lot from me, and I do the same thing to the people who work for me. The good story is that most of the people have worked with me for ten years. So although I have many expectations, people enjoy working at YOOX Group. YOOX Group's listing was also good news for them; many employees hold shares, so everyone was happy when our share price rose to € 7.5 from € 4.

B: So far, what you have learned from your China trip?

F.M: The Chinese government is very smart. They not only want us to invest, but also our technology and concepts. The Internet is very American, I think the Chinese government wants us to help development of Chinese brands in order to compete with U.S. companies. I admire the Chinese government - it is much stronger than the Italian one.

B: Well, what can YOOX Group teach the Chinese in turn?

F.M: The "quality" of Internet - image quality, information quality, and service quality. When I created YOOX Group 10 years ago, there was no high-quality e-commerce in Italy at all. It is me who taught Italians online shopping. I would like to emphasize that YOOX Group focuses on long-term development in China, and we know that it takes a long time for high quality services to yield returns, but that day will come, I have complete confidence, and plenty of patience in the meantime.