



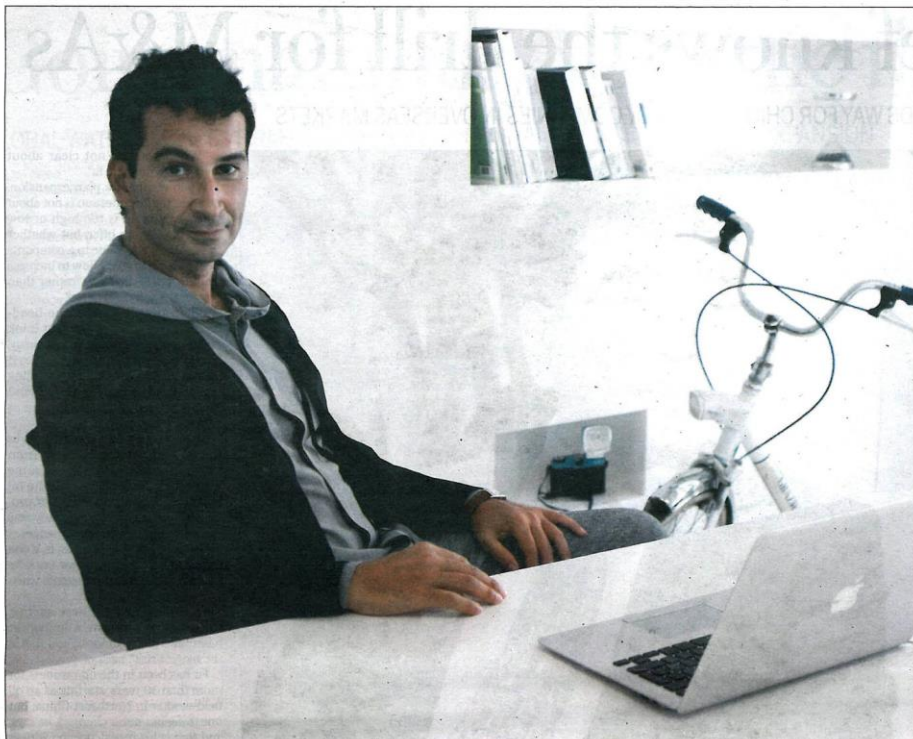
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Business



Federico Marchetti, founder and CEO of Yoox Group, says China will become one of the group's top three markets in five years.

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Scrolling down the catwalk

INTERNATIONAL ONLINE FASHION STORE LAUNCHES DEDICATED CHINESE SITE

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Investing in high fashion in the current economic climate carries equally high risk, and many companies are looking to China's new money as the safest gamble. While other international markets for luxury goods hesitate and falter, the spending power of the Chinese offers some gratifying support, even rescue, especially when the goods are quickly available and sold at discount online.

So, in what the Internet fashion retailer Yoox hopes will be another timely development, last month it launched its Chinese online store yoox.cn, brimful with confidence.

"China will become one of our top three markets in five years," says Federico Marchetti, founder and CEO of Yoox Group, who was in Beijing to mark the occasion.

Although the market in luxury goods is slowing, he says, the online luxury is unaffected.

Marchetti, a former investment banker, spotted a golden opportunity

at the start of the millennium when he founded Yoox as an Internet store to sell overstock by designer labels and unsold items from previous seasons' collections.

When the Milan company went public in 2009, Marchetti thought it the right moment to invest in China. The following year it set up a Chinese Internet service for Emporio Armani, one of the first mono-brand fashion stores in the country's e-commerce.

Yoox then took on the running of other online services for individual designers and fashion houses, such as bally.cn and dolcegabbana.com.cn, all "Powered by Yoox Group".

Now, after two years in which to test the market, the company has launched yoox.cn, a specially tailored version of its international site.

"We have been very pioneering in many aspects for the Chinese customers, and we have waited for two years, as we have to make sure that all our operations, understanding of the market and the service are ready to welcome the flagship brand," Marchetti says.

"We have a very long-term goal

here. We are not opportunistic. We are investors in this country because we think it is going to be big."

To begin with, China's Yoox will not have the same range of labels and designers, but they will be at least half price and more readily available.

There are now more than 1,000 brands to choose from on yoox.com, but only about 200 for yoox.cn customers.

"Obviously we cannot start with everything. Season by season, we will bring more and more brands to China," Marchetti says.

More important, he says, is that all the stock for China is in China, and Chinese consumers get next-day delivery.

"This is different from many other players in that they ship internationally in one or two weeks. Inventory means risks, and this is a big thing for a retailer."

It is more complicated to import in China than in other countries, he says, so Yoox decided to localize its operations with an office and logistics center in Shanghai employing 50 Chinese, "because they know the

local market better".

"We know better about brands, and this is the trade-off," Marchetti says.

Prices in yuan, size conversion, cash-on-delivery service and various local payment systems, such as Allpay, are tailored for the Chinese market.

However, there is a concern over the shortage of locally available professionals who have both IT and fashion industry experience.

"This is our biggest challenge, but it's not only in China," he says.

Yoox Group's net revenue for the first half of this year was 172.9 million euros (\$220.4 million), an increase of 31.7 percent compared with the corresponding period last year. It also recorded a monthly average of 12.5 million visitors to its store websites in the first half of this year, up from 9.2 million for the corresponding period last year.

Currently, Yoox's biggest markets are the US, Italy, the rest of Europe and Japan in terms of net revenue.

The other markets had the highest growth, almost tripling net revenue to 6.1 million euros in the first half of this year compared with the corresponding period last year — and China represents most of the trade in the other markets, Marchetti says.

But Yoox does not want to be seen growing its market share through offering quick and easy bargains on haute couture and exclusive fashion accessories.

Marchetti still remembers the sentence he wrote on the first page of his business plan for the company in 1997 about its mission: "Yoox is the noble e-commerce partner for leading fashion brands."

"We want to protect brands, and the online store is complementary to the physical store nowadays," he says.

"For our partners in the luxury sector, China was becoming a more important market. Since we are their partners, we need to be here to help them."

Last year, after setting up several mono-brand online stores in China for the established big-name labels, Yoox launched a multi-brand luxury boutique, thecorner.com.cn concentrating on smaller and less-known designers, including Haider Ackermann and Alexander Wang.

In recent years Marchetti has seen a change in the market, with customers becoming more sophisticated, and beginning to favor independent designers over the big brands.

"We thought that Chinese consumers might buy some different styles when everyone was saying that they would only buy power brands," he says. "But it's been a good thing for us, and it means our strategy begins to work."

In contrast to the thecorner.com.cn and single-brand online stores, where the collections are fully priced, Marchetti says yoox.cn offers merchandise at 50 percent discount at least.

"Consumers can get a very good price, which is the big difference from what we have been doing in the past two years where everything was full price," he says.

But rather than being a bargain basement attraction, the cachet, he believes, still applies in that customers can get premium goods and designer brands from Europe and the US that are very difficult to find elsewhere in China, online or in physical stores.

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FEDERICO MARCHETTI
FOUNDER AND CEO OF YOOX GROUP