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High-end fashion embraces Yoox's online sales model

LUXURY GOODS

News analysis

Big name brands set out their stalls with virtual shop window, writes **Vanessa Friedman**

When the fashion hordes move on to the Paris show today, they will be joined by a figure who is both ubiquitous yet, by the standards of the ego-driven industry, barely visible.

Federico Marchetti is chief executive of Yoox Group, the Italian technology company that may be the single most powerful behind-the-scenes player in the world of online luxury.

As well as selling luxury goods through its own online stores, Yoox has become the partner of choice for operating so-called mono-brand stores on behalf of some of the biggest names in the business, from Valentino and Armani through Pringle to Alexander Wang.

Mr Marchetti's position was cemented last month by the formation of a joint venture with PPR to administer the ecommerce operations of the French group's luxury brands Bottega Veneta, YSL, Sergio Rossi and Alexander McQueen.

It was the first time a major luxury group had ever been in a formal partnership with a technology company for its global online retail operations.

Yoox serves 101 countries in 11 languages and has offices in Shanghai, Tokyo, Europe and the US.

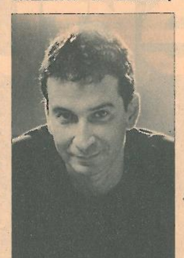
It had 2011 revenues of €300m, and first-half revenues of €172.9m this year, an increase of 31.7 per cent over the same period last year. First-half net profit fell 26 per cent to €2.2m, however, dragged down by increased investment and higher interest rates.

In 2009, Mr Marchetti took Yoox public, in the only Italian initial public offering of that year. The shares were priced at €4.50. They closed on Monday at €10.49. He retains 11 per cent of the company.

Rodrigo Bazan, president of Alexander Wang, says: "If you want a global ecommerce operation, there's simply no alternative."

Increasingly, luxury brands do want global ecommerce operations. Online luxury sales amounted to €6.2bn in 2011, according to Altagamma, the Italian luxury goods association, and the consultancy McKinsey. They are estimated to reach €15bn by 2016, with China outpacing the US.

"Between the logistical issues, taxes, customer service and fraud, global ecommerce is incredibly complicated. To do it yourself for a brand is almost impossible," Mr Bazan says.



Federico Marchetti offers a one-stop shop for labels

Mr Marchetti, 43, conceived his business in 1999 when he was a junior consultant at Bain & Co in Milan. He wrote a plan for a company that would "be a global ecommerce partner for leading luxury brands".

He says: "I firmly believed mono-brand stores were the future for luxury brands online, because it allows them to control the images, pricing, presentation and get data directly from customers, but at that time fashion companies were very anti-internet."

In order to ease brands into the online world, Mr Marchetti created an end-of-season multi-brand boutique, yoox.com.

"It was not an outlet," he says. "It was a place to put your merchandise." Diesel and Emporio Armani were among the first to sign up. In 2006, Mr Marchetti convinced Italian label Marni to create an independent online store, Marni.com.

Scott Galloway, founder of the digital think tank L2, notes that so many brands working with one web company creates a risk of sameness in the long term. But Mr Marchetti points out that, unlike most outsourcing arrangements, Yoox works on a revenue-share model.

It takes a percentage of sales for each site it administers as opposed to a management fee, meaning it has a vested interest in increasing revenues for the brands it works with.

It is an anomaly in the fashion world for one company to work with so many competing houses. Armando Branchini, president of Altagamma, attributes Mr Marchetti's position to the fact that "in a world full of monstrous egos, he has no ego".

Mr Marchetti says: "I think it is much better to be invisible than visible."