

## The luxury of having an idea

**Federico Marchetti, the entrepreneur who goes to dinner with Bill Gates: "Innovation lies in the ability of uniting the opposites. At the crossroads there will be a smartphone"**

"Uniting opposites": this, essentially, it's his vocation. "At school they were duty and fun." When he ventured into the business world, the challenge became "connecting fashion and the innovative technology of the internet." What else could you call that union of "Y" and "X", "the symbols of male and female chromosomes" bridged in his company's name by two "O"s, the symbol of infinity and binary code...? Over the last few months, his "need" to bring things together went a step up globally with the merger of the fashion industry's two extremes in the largest e-commerce fashion group worldwide: his company founded in 2000 - YOOX - and Net-A-Porter, its colossal former rival based in London and controlled by the Swiss company Richemont. Federico Marchetti always seems to pull it off.

Just as with another aspiration of his: "My ideal is to be like those best-selling American authors, who sold millions of books, but when they go into a restaurant no one recognises them." With that euphemism, he explains, "Visibility is not a priority for me." And, in fact, his name doesn't ring a bell for many. And yet he is a businessman who, at the age of 47, is considered one of the "great innovators", even by Alec Ross, Hillary Clinton's innovation guru, and who now from behind the big glass windows of its headquarters in Milan, just a stone's throw away from Naviglio Grande, pulls the strings of fashion giant YNAP. In a few simple numbers, this name stands for a revenue of 1.7 billion (by the end of 2016, market analysts believe it will grow to two), 2.5 million active clients, 7.1 million orders per year (across 180 countries), which equals one every 4 seconds, as shown by the fast flickering, in real time, of the cities where each order is made on the wide screen at reception: Santa Monica, Dusseldorf, Kyoto, Birmingham... Even if in Italy online shopping is growing - the latest data shows it has risen from 4 to 9%, albeit still half the global rate - credit for its growth, certainly, can also be attributed to Marchetti, who has always thought in global terms: "Our top market? The United States," he says.

At this point, you wouldn't be surprised that Marchetti, a native of Ravenna, has just come back from a trip to Silicon Valley with the big names in tech: the founder of Instagram, top management at Apple... "You know what they say here in Romagna?" he jokes. "Go see Bill Gates!" As if to say he's getting too big for his boots. And, in fact, he (just) went to talk about innovation at a closed door meeting with, among others, "the CEOs of Lego and Coca-Cola", at the personal request of Microsoft's founder. Who then invited Marchetti to dinner with Melinda, the head of the house. "He even opened the bookcase where he keeps Leonardo's Codex Hammer-Leicester (which he bought in '94, ed.): we at YOOX NET-A-PORTER GROUP support Milan's Pinacoteca Ambrosiana, which preserves the Codex Atlanticus."

The long journey of 16 years that brought him to California was all in the name of innovation. "The original idea was simple," says Marchetti. "Fashion is a world that generates at least as much content as Hollywood. And the internet is a container in need of content. Two opposite worlds: one based on exclusivity, the other on accessibility. On the surface two magnets that repel one another but that were for me complementary and that at a certain point could not do anything but converge. When I "saw" this truth, I had no more doubts. If at the beginning of the millennium you encountered enormous scepticism when talking to fashion brands about the internet, today there isn't an entrepreneur or CEO who doesn't view the Web as the most strategic tool for the future." Not that "seeing it" was as easy as it may appear now that e-commerce has taken off around the world. "I was in my apartment in Milan where I had been living since my last year of university, in front of the Dal Verme theatre, and where I kept on until the birth of my daughter 5 years ago," he recalls. "I started writing the business plan for the company I wanted to create, and, one autumn evening, after work (at the time Marchetti was a consultant at Bain & Company, ed.) I began typing letters on my little computer to find its name. Every domain seemed to already be taken. I tried again and again. Then... "y-o-o-x dot com": available! I couldn't believe it. Four letters: the fewer, the better. That the name wasn't phonetic didn't concern me: we live in a visual age. As far as the problems Italians have pronouncing it go, I have had great fun, with the postman in Bologna who constantly pronounced with a round "oh"! But everywhere else, starting with the Japanese, people know how to say it perfectly." "Yux". "The name was also neutral, especially in relation to Italy. Since the content (the fashion items for sale on the site, ed.) was made in Italy, but not exclusively, I wanted to create a 'local' e-commerce container that made everyone feel like they were at home, so that Parisians like people living in Tokyo would think the company was from the place where they were. Just to be sure, I did a test with friends with other names: that is when I realised everyone takes the more conventional route. The most "seen." Instinctually, I did the opposite. Making that distinction was a crucial choice: if we had opted for "hotbrands.com" or "prezzisbarrati.it" (slashedprices.it), we would not be where we are today.

We set YOOX apart as a unique place: not as a *discounter*, which in fact it was in June 2000, but as a place with a well curated selection of products, including ones at discounted prices. Cost was not the central aspect. Instead we concentrated on building a different brand, through collaborations and fusions with artists, architects, designers... From Ettore Sottsass to Lady Gaga to former punk rocker Malcolm McLaren, from the Sex Pistols, who wanted to launch a kids' clothing project inspired by vintage video games like Pac-Man. We created an unusual vision for the online shopping sector based on a cultural approach, more like Fondazione Prada than a classic retailer. Our goal was always to surprise customers, in a way that would make them ask themselves: why are they showing us an old 90 year-old woman? [the incredible Rosamond Bernier] The point is we were telling young customers about this woman's life with Matisse and Picasso when she founded the art magazine *L'Oeil* in Paris. I also have to say that this is the part I have the most fun with. It balances the "business" part of my mind that thinks about the stock market, investments and shareholders." The strategy worked. With a multi-billion turnover, that is a fact. "Especially," continues Marchetti, "in 2005 we made a big leap: innovation within innovation. I started thinking: why don't we make our online fashion retail expertise directly available to stylists and designers for their own online stores? I put it all together and started selling the "mono-brand" idea to fashion labels: we began by creating marni.com and armani.com, which signed on because they understood that we were working on quality, and not on price. And today, the mono-brand stores represent 10% of our business. We work hand in hand with big brands making 5-10 year strategic plans with them."

It all started in Ravenna, home to Federico Marchetti's "dearest" friends: his childhood friends. "There's someone who runs his father's hardware shop, someone who keeps up the family mechanical business or who works at the beach at Marina di Ravenna. To celebrate my last birthday with them, I took a plane at six in the morning from London where I was for an event." They hung out together in the piazza. "We called ourselves Clockers, in true American style, because we were always by the clock tower. It was life in a small town, there were surfers, the vespa, girls, fun... But ever since I was little my mother – an operator at SIP like her father had been, and my father was the head warehouse worker at Fiat – got me used to doing everything. She would take me to the pool, and then, with my eyes red from the chlorine, I would go and practice my scales on the piano, which I quickly gave up, and afterwards I would go to judo... As a teenager I played competitive tennis every day, it was the time of Borg, McEnroe and Connors. My efficiency comes from that education. The fact is that I was really good at school: every year I would tell myself just to get sixes out of ten - because "nerds" don't get girls - but it just wasn't possible." Tens across the board. "I made up for it in the summer, at the beach, when I could meet tourists who didn't know me: my first girlfriend was a girl from Brescia. It was at that moment that my sense of duty and responsibility – combined with my mother's Catholic brainwashing every time I went out 'Behave yourself, always be honest' - learned coexist with my more creative side."

The future king of luxury fashion e-commerce was already on the lookout then for future trends. "I'd always imagine new things with a business spin... At university when I saw the first enormous mobile phones, I thought: why don't we add a camera to them? But I wasn't an engineer, and so nothing came of it. Other ideas from that time are unspeakable... Today they mostly come to me when I'm under water. That's why I'm a bath guy and not a shower one." In the meantime, Marchetti had chosen his path. Economics at Bocconi. "I wanted to study medicine in Bologna, but that was the first year of limited enrolment. And for me, the summer when I was 18 was the year of a trip of a lifetime with my friends in a rented lobster red Mercedes van..." Europe on the road. "All the way to Biarritz, camping, and then down through Spain to Tarifa, all of us on the bus with surfboards and long hair." So much for studying for the entrance exams. The magic of "Sliding Doors" was cast, the direction taken. The first year in Milan at a college run by priests, then in a studio apartment along the Navigli with a bathroom on the same floor but outside the flat, then an MBA in New York, at Columbia, "the most carefree years of life, the perfect fusion of duty and pleasure." Before opening YOOX, his CV ends with him working at Lehman Brothers, "where I learned method and analysis", and then three months consulting at Bain. "They didn't assign me, as I wanted, to the fashion sector, my passion, but I'm grateful to them: if it hadn't been for the desperation I felt, I would have never made the jump."

Being different has always been an obsession of his. "Starting with my Si Piaggio, my scooter, with old-school spokes and not alloy ones, which cost even more. I'd go to Lugo di Romagna, to a store called Angelo that had things, like a Scottish hat, that only I would wear. While on a study-holiday in London at 13, I saw a pair of orange boots in a sad looking shoe shop window that were hugely discounted: they were Timberlands, three years later everybody was wearing them." From the moment he typed in YOOX, neither the dot-com bubble nor the Twin Towers attack stopped him. "I realised the world was headed in there," he recalls.

"There" being online shopping that is soaring in many countries around the world. YNAP today has a business model with online shops selling "in-season" multi-brand products (NET-A-PORTER.COM, MR.PORTER.COM) and "off-season" (YOOX.COM and THEOUTNET.COM) as well as mono-brand stores that it manages for luxury labels. "In 2000 it seemed that everything was going "digital", then in March-April of 2000 the bubble burst and it all seemed over and done with. The truth is always somewhere in the middle.

Today it's like this. For the brands, their online stores account for 5% of their revenue. And that figure can only get bigger year after year. Brick and mortar stores, however, will always be 80 or 75%," says Marchetti. He adds, "The same thing is true for printed publications: there will be a differentiation, but newspapers with in-depth news will always be around. The point is that there isn't one thing that replaces another by definition: that only happens if it is truly better. Instead, I think things will always co-exist. And it will all be interconnected." With a key device, though, connecting each area: the smartphone. "It will simply be the 'vehicle' that unites different worlds. Already today, when we do an advert on TV, we see a spike in mobile orders. People sit on the sofa, see the ad and then shop on their phones. The same thing is true for print media: we have a "shoppable" magazine called Porter. The technology is still rudimentary, but 5 years from now we'll still be leafing through magazines, and when we see an item we like, we'll just slide our mobile over it to buy it." In other words, it will become our "terminal" more and more, "With its conceivable down sides, considering how much we already use it. But I don't want technology to take the upper hand. YOOX is a humanistic name: it's human DNA that encapsulates technology, not the contrary. My favourite film is *2001: A Space Odyssey*." In it, it's the computer Hal that goes crazy. "At YNAP it's not the algorithm that's in charge. It's just a useful tool that, of course, helps buyers get to know the tastes and preferences of customers, and to analyse the 'chronology'. But there's always person behind the screen who decides." Nevertheless, this year YNAP is investing 150 million euros in 'research & development'." Just as YOOX and Net-A-Porter continue to merge together. "Two totally complementary businesses: they do more marketing, we do more technology; they are more glamorous, and we are more design. A perfect mosaic, on paper. But then, of course, there's its execution," he adds. The umpteenth "union of opposites" guiding the Ravenna entrepreneur's karma? That's also what he met with Gates for, to share one of the basic rules he has learned about innovation through his work. Which one? "That the truth is than in an organisation you cannot expect that everyone is innovative. There are people who have a specific mandate for innovation, and within a company they need to be given free rein to create without political or budgetary concerns. And then there are the people, extremely important for an e-commerce business based on data, mechanisms, technology and logistics, who have to perfect our execution, considering that's the key to securing customers and brands." 99.4% of YNAP's deliveries are on time across over 7 million orders. "It means that it has to work like a Swiss watch. But then there's also a third group, that lies in between, and its mandate is both execution and innovation." Guess which group Marchetti belongs to?

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