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**BusinessWeek**



**MARCHETTI:** Now he's weighing expansion to Asia

**ITALY**

**WHO CARES IF IT'S NOT THE LATEST?**

E-tailer Yoox thrives by selling designer duds cheap

When Federico Marchetti founded yoox.com in Bologna two years ago, he reckoned the Web site would be a big hit with fashion-conscious consumers. With discounts of up to 50% off retail prices on end-of-season merchandise from 300 leading designers, it's easy to see why. But it wasn't until a group of cloistered nuns in Tuscany placed an order for seven pairs of Miu-Miu mules last year that Marchetti realized just how big the market was. "It showed me that Yoox' appeal is apparently irresistible," he jokes.

Yoox is a rare success story in an industry littered with failures. While most Net retailers are struggling to make money, Yoox is set to break even by the end of 2002, just two years after inception. Sales are on course to hit \$12 million by yearend, double last year's.

The site's name is a play on the company's slogan—"Fashion is timeless." The Y and X stand for the male and female chromosomes, while the OO represents infinity. Yoox is quickly adding customers in the U.S., where its new site made its debut two months ago. And with more than \$15 million in capital from a host of European investors, Marchetti says he has more than enough cash to keep the business on track for the foreseeable future. "Yoox' business model is sustainable," says Jaap Favier, research director at Forrester Research in Amsterdam. "Internet shoppers want low prices and convenience, and Yoox

month," Fiala says.

Marchetti hit upon the idea for Yoox after spending five years advising luxury-goods companies, first as an investment banker at Lehman Brothers Inc. and later as a consultant for Bain & Co. in Milan. The 33-year-old Italian noticed that one of the biggest problems his clients faced was how to sell their left-over merchandise. For designers such as Dolce & Gabbana and Helmut Lang, who stake their reputation on setting trends, peddling last year's fashions isn't an option. Opening up their own outlets can undermine sales at existing stores and cheapen the brand's image. Most end up selling their leftovers to big discounters, meaning they lose control over how and where their products are sold.

Yoox offers fashion houses a more respectable alternative to the mark-downs rack: a site designed as impeccably as their clothes. "Yoox allows luxury brands to off-load last year's merchandise without undermining their brands or cannibalizing sales at their existing stores," says Forrester's Favier.

Prada, Gucci, Jean Paul Gaultier—they're just a few of the designers that sell on Yoox. "At first some were dubious," admits Marchetti, who plied his fashion industry con-

nections to build up a list of suppliers. But he won them over by explaining that it wouldn't be cost efficient for them to set up their own single-brand e-tailing sites, as there wouldn't be enough sales volume to enable them to offer the kind of discounts Yoox does.

Mind you, Yoox is picky about what it sells. The company dispatches its team of four buyers to sort through merchandise offered by manufacturers and retailers. Its carefully edited offering, heavy emphasis on European designers, and collection of hard-to-find vintage pieces from leading names such as Yves Saint Laurent set Yoox apart from its only real rival, bluefly.com. The New York-based e-tailer specializes in discounted goods from mostly American designers. The Yoox site also offers

little extras, such as ensembles to suit every occasion: Dining out at Nobu in Milan? Yoox recommends a short black cape from Prada, paired with a Chloé halter dress and lace-up Helmut Lang pumps. The whole outfit can be yours for just \$1,147—and it can be shipped to your home in 48 hours.

An initial public offering of Yoox shares is not in the cards right now, says Marchetti. But expansion is. Yoox already boasts 50,000 customers from 15 European



**WHAT A STEAL:** A Yoox ensemble for an evening out

countries and the U.S., and Marchetti is headed for Asia next. Yoox appears to be a big hit with young Internet-savvy fashionistas everywhere. Its core customers are under-30 women. "Designers like the fact that we are introducing a new generation of shoppers to their brands and getting them hooked early," Marchetti says. As any serious shopper will attest, buying designer items on the cheap can feel sinfully good. Those Miu-Miu-loving nuns in Tuscany would probably say amen to that.

By Kerry Capell in London

**YOOX: DISCOUNTED LUXURY**

ITEM	RETAIL	YOOX
DOLCE & GABBANA MEN'S WOOL SCARF	\$150	\$75
DIESEL MEN'S CASUAL TROUSERS	158	74
COSTUME NATIONAL WOMEN'S LEATHER BOOTS	429	232
JEAN PAUL GAULTIER TURTLENECK	264	139

Data: Yoox.com