



FT Weekend

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On the shores of Lake Como, the founder of the online luxury retailer Yoox tells Jo Ellison about being an outsider, his company's perfect merger with Net-a-Porter – and the world's shopping habits

earing a grey jacket from Alexander McQueen, pale grey cashmere sweater and button-down shirt, his baby birdlike features exaggerated by black-rimmed spectacles, Federico Marchetti meets me in a small parking lot on the shores of Lake Como, Italy. It's a steely grey day and the clouds hang mistily over the surrounding hills. As he greets me, the scene has a whisper of John le Carré about it – like two operatives meeting to share secrets.

The truth is rather more prosaic. The 46-year-old tech entrepreneur and founder of Yoox, the vast e-commerce retailer of luxury goods now poised on the brink of a merger with Net-a-Porter, is about to give me a tour of his hood.

Marchetti settled in Como permanently a year ago, at the insistence of his partner, Kerry Olsen, a writer and journalist, who wanted to raise their daughter, Margherita, there, in a house with a garden. "I moved for her," he says, explaining the daily commute to his office in Milan. Although Como has no shortage of stately inhabitants – Richard Branson is a few minutes along the lakeside, George Clooney owns a villa in the neighbourhood, says Marchetti, the same sleepy provincial feel of his childhood home in Bavaria, the Byzantine capital in Italy's northeast.

Walking towards the restaurant, we pass a palazzo belonging to a Russian billionaire that is being renovated for his daughter, and a dilapidated silk factory. The former mill is Marchetti's, a two-year building project that will ultimately become the family home. With its industrial windows and factory roof, it is the antithesis of the splendid building next door. "I didn't want a great ostentatious house," he says. "I will, however, fulfil his lifetime ambition of having a swimming pool: a 20m lap pool in the basement. "I never wanted a Ferrari. But I always wanted a pool."

As we enter the restaurant, 40 pairs of eyeballs turn towards us. The diners are all local tradesmen, burly men on their lunch break. We were going to sit inside, as rain seems imminent, but the sight of so many young men, eating in silence, is a little overwhelming. "Shall we go back outside?" asks Marchetti, with a sympathetic grin. We take a corner table under a tree in the courtyard. "It has been family fun for over 100 years," he says of the bar with its tattered deck and the food is very good. I asked you to come here because I wanted to show you the restaurant. Rather than bring you to a Milanese super-duper restaurant, the luxury guy is bringing you to a little bar."

Today, though, the luxury guy has a son and sunny and is on "a strict diet" of fish and steamed vegetables – "no rice, no potatoes," he insists, while ordering a shoal of lake fish that will be variously deep-fried, roasted, smoked and smothered in green sauce. I eat some bread while Marchetti demonstrates parsimonious restraint; he is, however, persuaded to take a tumbler of white wine.

The younger son of a "white-collar" family – his father was a warehouse manager at Fiat and his mother worked at a call-centre (in "e-commerce", he jokes) – Marchetti launched Yoox in 2000 with next to no experience in the fashion industry but the conviction he could persuade luxury brands to sell him end-of-season stock to sell online, at a time when luxury accounted for "zero per cent" of the e-commerce market.

Since then, Yoox has grown into a multinational "lifesty" company with revenues of €524m and a net profit of €13.5m last year. It entered the US in 2009, Japan in 2004 and, in 2006, entered a deal with Marni to provide tech support and a website for the Italian fashion house. Yoox now powers the web infrastructure for 58 luxury brands ("mono brands"), including Armani, Valentino and those owned by the Kerue Group. In 2009 the company was listed on the Milan stock exchange. And on March 31 this year, Marchetti announced plans for a merger with Net-a-Porter, the luxury fashion site founded, also in 2000, by Natalie Massenet.

In September, Marchetti will become chief executive of the newly created Yoox Net-a-Porter Group (Massenet will be executive chairman) and will oversee the operations of the world's largest online luxury retailer. When the merger was announced, the implied valuation for the combined group was €3.4bn, with annual sales of €1.3bn, shipping to 160 countries worldwide and with a combined total of 24m unique users.

Not bad for someone who, even after 15 years in the industry, still describes himself as an outsider. "I always been



Lunch with the FT Federico Marchetti

'I don't need love. I need results'

IL GRIFO
Via Vermele del Riccio 15,
20146 Leno, Italy

Bottle of water	€1.50
House wine (Del Rio)	€4.00
Red wine	€15.00
Deep-fried fish with rice and sage leaves	€14.00
Grilled white fish with internet vegetables	€14.00
Total (including service)	€50.00

ambitious," says Marchetti, as he gently separates some fish from its spine. He attributes his drive to one. "My parents didn't encourage me in any way. I was not guided. But I was extremely, extremely good at school."

Neither was there an inspirational teacher to push him into further education – first economics in Milan, then an MBA from Columbia University. "I did it my own way," he says. "I've been alone most years. I started Yoox by myself."

The merger is another step towards a long-imagined "dream" of Marchetti – the specifics of which he is vague about. "We started talking about a merger in 2009 but it was too early. It hasn't been done to please investors, or for stock price, it's a merger based on substance. And the substance is two companies that started at exactly the same time, with exactly the same vision, but which took completely different approaches. We started with end-of-season, they started full price. Then they started end-of-season with The Outnet, we started full price with The Corner." Then we launched the mono brands, because we were strong at the back-end with logistics, and they launched the editorial content, because they were strong at the front end with the marketing. It's incredible, like sliding down – like it was almost planned. I don't think any merger in history has been so perfect on paper."

Nevertheless, as he quickly points out, this is not a marriage of equals. Marchetti is still a solo operator and he's very clear that the Yoox Net-a-Porter Group has only one boss. He raises a hand. "And that's me."

While their business models have followed opposite but complementary paths, Marchetti and Massenet's managerial styles might be harder to fuse. At Net-a-Porter, the glamorous, California-born Massenet has built her empire on foundations of oratorical cheerleading – lots of positive affirmations, "incredible" and whooping about team achievements. Marchetti, on the other hand, is notable for his relative anonymity. "They don't like me," he says of his relationship with his staff. "Really? "No, they don't like me," he continues. "There is no love." He stops. "I think they feel

very good at selling the dream. Because I believed in that dream."

Marchetti made fashion his focus because it was a native luxury, because he had the home advantage and because there was no competition. "You cannot be great at everything," he argues, when I suggest the big fashion brands have been rather cowardly about e-commerce. "You need to be a specialist. The internet is a different set of skills. Unless, like Burberry, you have a leader and designer that is an internet native and it's part of the strategy."

Marchetti's specialism is in logistics and, to that end, his greatest asset is a warehouse in Bologna. A 102,000 sq m distribution centre through which 8,000 orders are processed every day, it is the mother ship for the group's operations. It is here that every one of the 5.2m items currently stocked are unpacked, checked for damage, photographed, tagged, stored and repackaged on their passage to a final destination. A marvel of technology, it is patrolled by robots that pick out items from container-loads of goods while 55 studios capture between 9,000 and 15,000 images every day. It's also a very human enterprise; human hands unpack the incoming product, dress the mannequins and pack the merchandise away when it is sold: they might also wrap them in tissue paper or tie them with a ribbon depending on the particulars of the mono-brand packaging. "It's an amazing operation," says Marchetti. "You wouldn't expect so much perfection from an Italian company – about 0.001 per cent of mistakes. Why? Because we cannot send Armani.com a Saint Laurent product. We need it to be right, otherwise it's a loss of credibility."

Neither does the stock hang around. "We have a huge inventory in our logistics, so it's a huge commitment," he says. "Roo.com collapsed because of the inventory. So what do you do? Discount it to death?" Yes," says Marchetti. "And everything goes."

His other great advantage is a vast bank of data. With nearly 15 years and millions of transactions to pick over, he has become a font of retail information and it's a joy to quiz him about the world's shopping habits. Who are the serial returners? "The Germans," he says. "They're the worst." And the least likely to shop during office hours? "The Japanese are the most ethical guys. They only ever shop after midnight. They don't sleep." (The Brits tend to shop late afternoon and evening and, though he won't speak of it, his counterpart, it's pretty clear from his facial expression, that Italians like to do it their desks.) The Spanish prefer red while the Italians love purple. Men are more loyal to brands and 65 per cent of transactions are undertaken by women, except in China, where the reverse is true.

It's a game I could play all day. "It's a sociological dream," he agrees. It's also valuable. For example: "We found out that when women buy shoes, in two-thirds of cases they only buy shoes, they don't mix the cart with anything else. It's a very focused category. Which means that, after analysing 8m orders with

shoes, we launched a website for shoes only [shoescribe.com], because we knew what women want. The power of information is huge."

If I were a luxury CEO, I would insist Marchetti be at every meeting. But, he says, luxury has been fairly reluctant to harness the power of his data. "Historically, it's an industry that drops down from creativity to the customer – data have not been so essential. But do my bit and I'm sure that they will come."

Perhaps it's just as well. If all we were being offered were things based on web sales, our wardrobes would probably be directed by housewives in Texas. Besides, while Marchetti knows what sells, he still doesn't know why.

"There's a very common risk with data that you can become lost in it. At Yoox we still use a good part of commercial instinct for the boy. It's a mix. Using data is a piece of information but that doesn't necessarily mean that we are led by it. It's the sociological point of view that I'm missing. Why do women buy only shoes when they buy online? I don't know. Just know that they do."

In an evangelical world dominated by chatter about Applebot and Silicon Valley evangelists, Marchetti is an exception. He's not especially tech-obsessed; he couldn't care less about the Apple Watch, and he's less dogmatic about the omnipotence of the tech age than one might assume. He doesn't believe, for example, that the internet

Japanese are the most ethical shoppers, Germans are serial returners, and Italians love purple!

will kill print media, nor the fashion show. "It's a hybrid type of guy," he says. "I'm not a fanatic who thinks the world will only go online, or that there will be no more fashion shows, or e-commerce will be 100 per cent of sales... I really think the fashion shows are a very efficient way to make business."

We walk together up the hill towards his temporary home until the mill is complete. "It's an unassuming house, albeit one with a tower that houses the garden and extra books for two housekeepers. Otherwise, it's full of the normal jumble of a family home. Nothing fancy. Neat is his new boy, an old wooden knockabout called La Dolce Vita he picked up because he thought it would be nice "to bring my ladies out." He suddenly looks a bit dejected. "The next three years won't be la dolce vita, that's for sure," he says suddenly, as he considers the implications of his "perfect merger".

In spite of this, he's very happy. "I'm a bit Catholic. I think in a country that's very Catholic," he explains. "Even when I took the company public I was distant. I just came home and ate a bowl of minestrone. No champagne. No holiday. Nothing. I think it's a problem – I always then think what's next? I'm never satisfied. But when I did the merger I was very happy."

No minestrone then? "No, no," he laughs. "No minestrone that night..."

Jo Ellison is fashion editor of the FT

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FINE JEWELRY

ROSE DIOR BAGATELLE COLLECTION
White gold, diamonds, luxury pink diamonds, apatites, onyxes,
Peridot, tourmalines and tsavorite garnets.