

"A platform as fast as a Ferrari:

Yoox will deliver in a couple of hours"

Federico Marchetti talks business after the merger with Net-A-Porter. "Italy can succeed, but it's touch and go."

When Federico Marchetti says he wants a Ferrari, he's not talking about a car. The Italian-born CEO of Yoox Net-a-Porter, the world leader in luxury e-commerce, is talking about the technology platform that will allow the company he founded in 1999 to continue to grow and to offer customers same-day delivery. Marchetti is not worried about competition from Amazon, which, he says, helps e-commerce to grow.

In 2015, Yoox decided to merge with Net-a-Porter. What's changed? What stage are you at in the business plan?

"A lot has changed: we're not just tidying up a few things, we're literally building a new business. There's complete continuity in our online stores, Net-a-Porter, Mr Porter, Yoox and The Outnet, but behind the scenes we're creating a new company. In terms of technology and logistics, in 2018 it will be like swapping the car you've driven for 15 years for a brand new Ferrari. The platform will make localisation much easier for us, give people more tools, focus us on data and guarantee same-day delivery from Milan to Dubai – all to give the customer the most exclusive online luxury experience imaginable."

What will change for customers when the 'Ferrari' is ready in 2018?

"Service plus variety, which is one of the most important things. Choice is always fundamental: if there's no choice, there's no longer exclusivity. If there's no exclusivity, there's no prestige. If there's no prestige, there's no luxury. And if there's no luxury, you become a mass marketplace."

Has the integration gone as you thought it would?

"There were no surprises, but that's what we expected – because for us and Net-a-Porter, it was like looking in the mirror for fifteen years and then becoming the mirror. For example, logistically, they were organised into three areas, while Yoox had a central warehouse for everything. This meant that they presented the customer with less choice. But now we're turning things round: the customer can access every product, no matter where they are. The model is incredibly sophisticated and involves restocking at night: there's a central warehouse with lots of local hubs. A product will always be available in the local hubs for same-day delivery."

Delivery in a matter of hours is an expensive bet.

"Our major advantage is the volume of an average sale: when you have a spend of €334 across the group, plus a spend that's 50% higher for new collection items, you can afford a luxury service level. Everything we do – the service, the packaging – is congruent with this model. If you're a mass-market retailer, it's difficult to ensure this level of luxury in your processes. We only do luxury."

How do you see Amazon's role in Italy?

"Since I started back when – as far as online luxury retail is concerned – there was not so much as a shoe for sale, I think that whenever a major and sophisticated player like Amazon comes to Italy, it opens doors for us. People get used to it: they start off buying a book and end up shopping for luxury goods."

Let's talk numbers. You expect this year's growth to be similar to last year's, so does that mean that revenues will pass the two billion euro mark?

"We have drawn up a five-year plan for 2016-2020 that forecasts annual growth of 17-20%. For the first two years, we're mid-integration, and we want to grow at the bottom of this range, around 17%. In subsequent years, we can comfortably grow at the top of this range. When the platform is finished, we can put the pedal to the metal, and customers of Mr Porter, for example, will see three times as much choice as they do now. We have a major expansion plan for the Middle East, where there's no competition and we have a joint venture with the region's most formidable entrepreneur. But to do this, we must first finish the integration process."

How do you explain the share performance? Do you watch it?

"Not every day but I keep an eye on it. Some people claim that they only look at it once a year, but I don't believe them. The explanation is quite simple: we are laying very firm foundations for a long-term plan, beyond the next five years. At the moment, the market rewards the short term. But I'm an entrepreneur and I don't look to the short term – I'm building something which I hope will last for the next 50 years. This is the dichotomy of financial markets, which are a bit nervous and look to the short term. I'll start looking at the share price with great interest from 2018 onwards."

How did the Yoox story begin? Was there one day when you thought, 'I have to do this'?

"I wanted to be an entrepreneur, and from leaving school to the age of 29, I consciously tried to learn how to become one. At the age of 29, I said to myself, 'Decide now, because later your appetite for risk will diminish.' I started thinking hard about what to do and I simply joined the dots: on the one hand, there was my passion for sales, for customers. As a kid, I loved to sell comics. And on the other, there was Italy: what was the competitive advantage of being one of the few people to return to Italy? Fashion is one of this country's biggest assets. At the time, the internet and fashion couldn't be further apart, but at a certain point, they would come together."

In those days, was it skill or perseverance that you needed most?

"The latter: never giving up and always taking a long-term view of the project, knowing that there will be bumps along the way but things will work out and projecting this conviction and confidence to the team so there isn't panic."

Today, Yoox Net-a-Porter is one of the few Italian digital world-beaters, a former start-up that has made it. How did you manage to survive?

"There are a thousand answers to this question but I'll condense them into two: from day one, the project was conceived to be global. I never just looked to Italy, because I knew that if I had, it would never have been a sustainable business in the long term. After three months, we had launched Yoox in Italian and English, across Europe, and the first orders actually came from Holland. One of the greatest limitations of Italian start-ups is that they only think about Italy – they don't have broader horizons and, by definition, they wane. The second is a standard answer that is often heard from me: the team. I think I have brought together amazing people who have understood that each year the job is different, so they reinvent themselves. Many of those who were there at the beginning are still with us today."

Your plans say where the company will be in the next five to ten years. But where do think Italy will be in 2027? Will we still be talking about electoral law?

"One of the things that is most damaging to Italy's reputation abroad is that they don't take us seriously at all. I returned to Italy because I think we have enormous talent, creativity and a certain something. But I chose Italy, I brought my family here. I listed the company in Italy even though, being a technology company, we could probably have got bigger multiples on Nasdaq. I merged with an English company and kept the headquarters and listing in Italy. If I said that I didn't believe in Italy, it wouldn't make sense. I think that we can succeed, yes. But opportunities are increasingly fewer."