

THE WORLD OF BUSINESS

THE GEEK OF CHIC

How Federico Marchetti brought e-commerce to fashion.

BY JOHN SEABROOK

Federico Marchetti is so trim and unassuming that he's easy to miss. In June, I was sitting next to him in the front row of the Jil Sander menswear show in Milan, which marked the return of Sander to her own label. A photographer was eyeballing the crowd, snapping pictures of the notables. He did not photograph Marchetti, the bespectacled

did not gain his entrée to the fashion world here, at the pure headwaters of the production line, where next season's looks bubble up in rarefied surroundings, but at the other end, in back-office operations and in the muck of overstock: jobbers, discounters, and liquidators. Few have started so far outside the fashion establishment as Marchetti has and pene-

price" could ever hope to enjoy equal status with retailers selling the latest fashions at full price. But online is "a funny world," Marchetti said. An amused expression crept into his eyes. "I started off as an outsider. I prefer being an outsider, actually—I was happy to work from the outside. But I became an insider." He added, "Sometimes I feel myself something like Peter Sellers, in 'The Party.' This nerd in Hollywood is invited to a Hollywood party in this great house, and he's very clumsy, and he ends up making a big mess."

Online shopping is one of the largest disruptions of the luxury-goods industry since the birth of department stores, in the nineteenth century. In recent years, a rich and somewhat bewil-



Marchetti's company, the Yoox Group, has a warehouse that, at four hundred thousand square feet, may be the world's biggest closet.

forty-three-year-old founder and C.E.O. of the Yoox Group, although his prime seat suggested that he was a person of some importance to Sander. Instead, the photographer focussed on the fops without socks across the aisle, who were fanning themselves decorously with programs, waiting for the show to begin.

Unlike his neighbors—buyers, editors, celebrities, socialites—Marchetti

trated so deeply inside the centers of power and control.

We watched the personages discover their seats, and thus their status. Prominent bloggers, who had to stand in the back only a few years ago, enjoyed favorable placement. I asked Marchetti whether he felt like a fashion insider now. In the bricks-and-mortar retail world, no one whose core business is selling "off

dering assortment of luxury sites have popped up on the Internet. Some sites sell end-of-season clothes at a discount; others sell in-season fashion at full price, and the so-called "flash sales" sites sell small batches of deeply discounted luxury goods in limited-time offerings. Amazon, a recent entry in high-end fashion retailing, offers all three options.

Department stores have also ex-



panded their offerings on the Web—online sales at Saks, for example, grew by thirty per cent in both 2010 and 2011, its C.E.O., Steve Sadove, told me. Many, although not all, of the top brands also have begun to sell directly from their Web sites, a stark reversal from a decade ago, when luxury labels shunned the Internet. (Notable holdouts include Céline and Chanel.) *Lucky*, the shopping magazine, recently added e-commerce so that readers can buy straight from its digital pages, and the day may be coming when all fashion magazines will also be stores. Bridget Foley, the executive editor of *Women's Wear Daily*, told me, "Absolutely, there has been a sea change in attitude, in terms of people feeling very comfortable about buying luxury bags, shoes, and clothes online, in a way that I think surprised the fashion industry." She added, "Just because you love clothes doesn't mean you love shopping."

No one has had more to do with bringing e-commerce to fashion than Federico Marchetti. Yoox is one of the largest of the fashion shopping sites, along with Gilt, a flash-sales site based in New York, and Net-a-Porter, a full-price site based in London. Yoox is both a discounter and a full-price retailer, which is a little like Barneys and Century 21 occupying the same building. Marchetti sells end-of-season and prior-season clothes at a discount on Yoox.com, and he sells selections from current seasons' collections at full price on The Corner, a separate "multibrand" site. In March, he launched a third multibrand site, Shooscribe, which offers a selection of women's shoes from the new season. In addition, Yoox sells jewelry, design pieces, and, starting this fall, photographs, through a partnership with Magnum, as well as prints by Damien Hirst.

Yoox also "powers" the online stores of more than thirty fashion houses, including Armani, Dolce & Gabbana, Diesel, and Jil Sander (hence Marchetti's presence at her show). It takes current-season clothes on consignment (rather than buying them outright, as it does the end-of-season items) and handles logistics, shipping, customs, returns, and customer service. Yoox also mines data from its vast network of customers. Yoox knows that Italians, especially younger women, prefer platform sandals;

in the U.K. and France, wedges are the most popular; flip-flops sell best in Russia. In the U.S. and Germany, the preferred shoe style is the ankle boot.

Yoox doesn't spend a lot on marketing or on search-engine optimization. A search for "online couture" will take you to Net-a-Porter, but not to Yoox. The Web site isn't particularly eye-catching; Inmaculada Martinez, a luxury-industry expert at Opus Corporate Finance, told me that the site looks like "the dog's dinner." Marchetti focusses on operations, which include the customs requirements of a hundred and one countries, translating descriptions into eleven different languages, and rationalizing sizes (a German men's suit in size 46 equals an Italian suit in size 52 equals an American size 42). The stakes are high, because, Marchetti says, "If you make mistakes on the Internet, it's much worse than making a mistake in a store on Fifth Avenue, because many more people will see it." Last year, according to Yoox, ninety-nine per cent of their customers' two million orders arrived on time. That's one reason that Pinault-Printemps-Redoute, the French luxury giant run by François-Henri Pinault, recently announced that Yoox would power the online stores for most of its top brands, including Bottega Veneta, Balenciaga, Sergio Rossi, Yves Saint Laurent, and Alexander McQueen. Federico Barbieri, P.P.R.'s vice-president of e-business, told me that the company had at first tried to manage its online stores internally, but concluded that to do so on a large scale "is not our expertise." He added, of the team at Yoox, "And they are humble. They respect what we do, which is quality, and we respect what they do, which is innovation."

Once upon a time, luxury-fashion labels were able to maintain relatively strict control over who sold their merchandise and for what price. In the United States, toward the end of the spring and fall seasons, boutiques and big department stores held sales, often starting at thirty per cent off and then going to fifty per cent, and some stores would allow employees and insiders even better deals. The amount of the discount and the duration of the sales were always matters of careful negotiation with the brands, because if customers become too

accustomed to discounts they will balk at paying full price. On extraordinary occasions when a retailer decided to "break price" and sell at a discount while the shopping season was still under way (as Saks did in the fall of 2008, when it marked down luxury goods seventy per cent on the Tuesday before Thanksgiving), the whole fragile system teetered.

What was left over after the sales went to jobbers who brokered the overstock to liquidators such as Loehmann's, TJ Maxx, and Century 21. Certain brands fought to prevent their products from appearing in down-market stores. It was widely believed that Comme des Garçons would shred or burn overstock rather than have it fall into the short-fingered clutches of jobbers and discounters. (The company said this was "pure conjecture.") If the people who pay full price for a luxury brand's goods see the hoi polloi sporting the very same clothes bought at a steep discount, the brand's "equity" is eroded.

In the early eighties, high-end labels began opening retail stores of their own throughout the world. With the economic boom in the nineties, the customer base for luxury, formerly made up of the old-moneyed rich, expanded enormously. Marketers began talking about the "democratization of luxury," though the phrase was something of an oxymoron: wasn't the whole concept of luxury goods élitist at its core?

As luxury sales increased, so did the problem of end-of-season overstock. Paco Underhill, the retail expert and the author of "Why We Buy," told me, "If you're Prada, you can't very well put a sign in the window saying 'Seventy Per Cent Off!' the way you can if you are Century 21." Some luxury houses began to open outlet stores of their own, which gave them more control over how their unsold product was liquidated. Prada opened a factory outlet in the town of Montevarchi, in Tuscany. The outlet was not advertised—for years it was a closely guarded secret among fashion insiders—and Prada removed its name from the store, which was called simply Space. Marni, another high-end Italian brand, opened a factory outlet in the suburbs of Milan.

By the mid-nineties, outlet malls had become popular destinations for shoppers and tourists. Last year, Woodbury



Common, an outlet mall fifty miles north of New York City, drew some twelve million people, almost twice the number of visitors to the Metropolitan Museum. At first mostly populated by mid-tier brands like Kenneth Cole and J. Crew, over the years it has added luxury brands, including Prada and Marni. The outlets hold sales year-round, but, because the malls are difficult for most people to get to, the damage they cause to consumer psychology is minimal. And everyone knows the really good stuff rarely shows up in the outlet malls, anyway.

That was the situation at the end of the twentieth century, when a young Italian entrepreneur began writing a business plan for a company he had decided to call Yoox.

Marchetti grew up in Ravenna, the small seaside city famous for its Byzantine mosaics and as the final resting place of Dante. His father worked in a Fiat warehouse, and his mother was a telephone operator. “Needless to say, I had no connection to fashion,” he told me. Federico was a bright student to whom good grades came easily, and even though he tried to be a regular guy by goofing off and staying out late (“I didn’t want to be a nerd—I wanted to get laid!”), he’d still ace the exams at the end of the term. “I couldn’t help it,” he said.

In 1993, he received a degree in economics from Bocconi University, in Milan—the first in his family to graduate from college—and got a job with the Milan branch of Lehman Brothers, where he learned the investment-banking business. He worked there for three years, but he always knew that he wanted to start his own company. He had a lot of ideas. One was to make a variety of buffalo mozzarella from wildebeests in Africa. (“The problem was that they were wild and couldn’t be milked.”) Another was to do slow food in a fast-food setting, through a chain called *Mediterranea*. (“But I didn’t see myself behind a fast-food counter for five years.”) In 1998, Marchetti enrolled at Columbia Business School, in New York, from which he received an M.B.A. in 1999. He wanted to stay in the U.S., and tried to get a job at several entertainment companies—he is passionately interested in film—without success. Reluctantly, he returned to

Milan and went to work for Bain & Company, the Boston-based consulting firm. “I absolutely hated it,” he says.

By then, the dot-com boom was in full swing. On the apparel side, a celebrated start-up, Boo.com, made the cover of *Fortune* as one of its “cool companies” of the year, having attracted a hundred and thirty-five million dollars in financing before it even opened for business. “I realized it was now or never,” Marchetti told me. He had an idea that he wanted to do something that combined fashion and the Internet. “I loved the fact that they were so different, and I could bring them together. Fashion was all about exclusivity, and Internet was all about democracy; fashion was for the elite, Internet for the masses—someone had to link the two planets.”

Marchetti never aspired to run an off-price store—he had in mind a curated retail environment that felt more like *Colette*, the famous Paris boutique, than like *Century 21*. But because Marchetti had no connections to the fashion industry, and because, as Bridget Foley put it, “the Internet in 2000 was still regarded very skeptically by the fashion world,” the only luxury clothes he was likely to get were end-of-season leftovers. He tried to make Yoox seem upmarket: one simple but crucial decision that Marchetti made at the outset was not to show the original price of the items, so the consumer didn’t know how much he was saving; the brands loved that. But in essence the early Yoox was an online version of *Woodbury Common*.

For his company’s name, Marchetti leaned toward something that sounded more like technology than like fashion. He wanted a “Y” and an “X” to be in it, for the chromosomal reference, so he started putting those letters together in four-letter combinations. He hit on Yoox, which he liked because it was as easy to say in Western languages as in Chinese. “And Yoox.com happened to be available.”

Marchetti finished a twenty-page business plan in November, 1999, and he resigned from Bain just before Christmas. “Now I needed to start actually being an entrepreneur. I had no money, of course, and no connections to a bank, so I had no chance of getting a loan.” His only hope was venture capital. “But there are hardly any V.C.s in Italy, and they don’t want to be first, either. It’s not like

America. They’re scared.” He called the one Italian financier who had a track record of backing Internet start-ups. “He said, ‘Great idea, let’s talk next week,’ but when I tried to get back to him he never took the call.”

In mid-February, Marchetti contacted Elserino Piol, an early investor in Tiscali, an Internet service provider, who had previously worked at Olivetti, the Italian office-machine company, as the head of corporate development. “I cold-called him, and said, ‘Can I come in and present my idea?’ He told me to come in the next day. I arrived, he looked over the proposal, and he said, ‘O.K. Let’s go. We’ll draft an investment plan. I will give you one and a half million euros, and then another three million euros in three months, if you meet certain performance goals, in exchange for thirty-three per cent of the company.’ So that was it.” On March 21, 2000, Yoox was established. Marchetti hired some software developers, who built the site in three months, and launched it on June 20th.

It was a terrible time to launch a dot-com. The dot-com bubble had burst. The far better capitalized Boo.com had gone bankrupt in May, having burned through a hundred and thirty-five million dollars in eighteen months, and funding for other start-ups evaporated. “*Finito*,” Marchetti said. “Had I been two months later, Yoox would not exist. I never could have raised the money.”

To establish his upmarket bona fides, Marchetti exhibited art and design pieces on the site, bringing in guest curators. He hired as a consultant Holly Brubach, a fashion-world insider with stellar credentials, including a six-year stint as *The New Yorker’s* fashion writer. Brubach advised Marchetti to feature vintage pieces, and she curated several selections, including one centered on Pucci dresses, for the site. Marchetti also brought in architects, artists, and designers to mount special projects—Malcolm McLaren, the late punk-rock impresario, did a line of children’s clothes inspired by video games. Marchetti invited his customers to see themselves as connoisseurs, even if they were really just hunting for bargains.

Yoox’s first major client was Renzo Rosso, the founder of Diesel. Rosso’s faith in Yoox persuaded Armani to give Marchetti some merchandise. “And the product was selling, and everything worked



well from the beginning, which was huge," he says. Still, whenever the company had to meet a performance goal in order to secure another tranche of financing, things were touch and go. To help meet the mark, Yoox employees and their families made big purchases on the site.

Toward the end of the year, Yoox got a large order for expensive women's shoes, which someone noticed came from a convent in Umbria. Like the Pope, the nuns apparently liked wearing fancy shoes—and they weren't flats. "When we figured out who had made the order, we called the convent and told them they could have the shoes for free," Marchetti told me. "The nuns said they would pray for us. So maybe that explains our success."

Marchetti invited me to spend several days with him in Italy in late June, looking at different parts of the complex business he has created. It promised to be very hot, and I wanted a lightweight suit, so that I could be like one of those Italian men I had seen wearing suits (and no socks) in the sultriest Mediterranean weather, without sweating. I did some shopping on Yoox, and saw nice suits at great prices, but I needed to feel the fabric, and online shopping can't provide that. So I ended up at Barneys. The salesman got out ten suits for me. I chose the one that felt the coolest, and I wound up spending six hundred dollars more than I would have spent on Yoox. And I still had to pay for the alterations.

Later, when I talked about the touch-and-feel issue with Marchetti, he said, "Well, you can get the touch and feel—you just have to wait forty-eight hours. And you get it in the privacy of your home, where you aren't hovered over by salespeople. You can make a calm decision after you try it on and see how it goes with the rest of your wardrobe."

Fair enough, but I would have had to order ten suits, have them shipped over from Italy, and then send nine of them back. Or maybe that is how people shop on Yoox.

I talked to several women who use Yoox regularly. One, whom I will call Molly, spoke to me over the telephone. She was at home, waiting for a delivery from Yoox; she had been tracking the package and knew it would arrive that day. "I had been going to buy just a cou-



"Desire, thy name is Sansabelt."

ple pairs of shoes, and then I thought, Why not throw in something that makes it special?" she said. "So I added a Lanvin dress. It is a little expensive, but I'll probably end up sending it back." For some people, who wouldn't have the nerve to go into a Lanvin store and try on a dress they can't afford, online is a great enabler. No haughty clerks waiting outside the changing room.

When Molly shops online, she knows what she wants. Yoox doesn't attempt to push particular looks on you, as does Net-a-Porter, which is set up more like an online fashion magazine, with lots of editorial. Yoox requires and rewards a certain familiarity with fashion. Brandon Holley, the editor-in-chief of *Lucky*, told me, "If I'm looking generally for swimwear, let's say, I'll go to Net-a-Porter and type that into a search, but if I was looking for a particular dress that Phoebe Philo designed for Chloé years ago I'd go to Yoox." Leah Chernikoff, the executive editor of *Fashionista.com*, a leading fashion blog, said, "No one wants to wear all this season's clothes anymore. But if you go online and outfit yourself with Prada from five seasons ago, then that's cool,

because you had to have the knowledge to find it—and you got a deal."

Molly describes herself as a "compulsive shopper," and, with online shopping, a sample-sale mentality takes over: you start grabbing things in a frenzy. (Steve Sadove, of Saks, told me that customers who shop online as well as in the store buy four times as much merchandise as customers who shop only in the store.) "I never thought I'd like shopping online, because I like the experience of shopping," Molly said. But now she frequently buys on the Web. "You can return everything for your money back," she went on. "If you buy something at a Prada store, let's say, you never get your money back. You get a credit slip." She added, "There's a much larger array of sizes available online. So I'll go to a store, try on what they have and figure out my size, and then buy it online. I use the store as a showroom." Returns are easy—Yoox includes a shipping label with the return address—and shipping fees, if applied, are minimal. Molly ends up shopping without actually consuming much; she sends back most things. "Are they buying, or renting?" Paco Underhill, the



retail expert, asked, when I described this practice. "It's like Netflix—you get to experience the movie but not keep it."

Is brand equity being damaged by the ease with which one can find discounts online? It depends whom you talk to. The luxury business is booming at the moment, mainly because of new markets in Asia, where customers seem to be willing to pay full price for the privilege of wearing new fashions in season. But most of the American women I spoke to echoed the remarks of a friend, who said, "I'll never buy a dress at the Prada boutique again after getting these really amazing ones on Yoox."

By the end of 2003, Yoox was breaking even and growing rapidly. Marchetti had secured nearly six million more dollars in funding, this time from Benchmark Capital, a blue-chip Silicon Valley venture-capital firm. But competition was also increasing. The barriers to entry in e-commerce are generally low—after all, Yoox had started with a mere one and a half million euros—and new businesses were popping up all the time. And, whether it's done online or offline, discounting is always a low-margin, high-volume business.

The safer place to be, Marchetti realized, was where the margins are fat and the barriers to entry are high: in the brands' own retail operations, where items go for full price. And while no luxury brand would ever invite a discounter to partner in a bricks-and-mortar operation, one might do it in an online context, if the discounter was offering the very things the brands lacked: the technology to smoothly handle the tremendous complexity of running an online store.

At that time, very few of the major luxury labels had online stores of their own. Sucharita Mulpuru, an analyst at Forrester Research who specializes in retail, told me, "It was a matter of principle with luxury brands that only people who shop on eBay use the Internet—and their only interest was in getting a low price."

Toward the end of 2004, in a presentation that Marchetti made to Bench-

mark Capital's board, he announced his new direction for the company. Yoox would provide all its technology, logistics, and know-how to the luxury brands for a limited initial investment, and would take, on average, a one-third commission on each piece sold online. Marchetti would also share Yoox.com's data about sales and customer preferences—not only what people buy but what they don't buy. "Let's say you want to know what color bow ties sell best in Boston versus what colors sell best in Atlanta—I can tell you that," he said. Not only would the brands better understand their customers but Yoox's algorithm could also help them predict market trends.

Mami was the first brand to sign on, followed by Armani, in 2007, and they helped convince other Italian producers—Zegna, Dolce & Gabbana—that the Internet was safe for their products. Gildo Zegna, the C.E.O. of Zegna, told me, "We are moving into a new era, and Federico supported us and helped ease us in, and gave us the push we needed to go." A latecomer was Brunello Cucinelli, who opened his Yoox-powered online store in 2011. He told me recently, "I don't think democratic luxury exists. I don't believe in being something for everyone. I don't say this to be snobbish. It is quite common to sell sneakers on the Internet, but not luxury. This was my concern—how can we possibly put these products on the Web

site without the tactile experience of luxury?" But Marchetti persuaded him to try, and so far Cucinelli has been delighted with the result. "He gave us the platform," he went on. He added that he personally still doesn't like the Internet. "I love silence," he said. "I love to be by myself. I could spend all afternoon looking at the flames in the

fire, and when my wife asks me, 'What are you looking at?,' I tell her, 'I'm looking at the world!'"

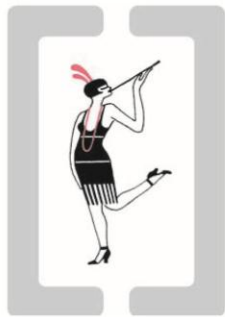
It was Yoox's twelfth birthday—June 20, 2012—and Marchetti and I were in Florence. The Valentino show for spring-summer, 2013, was being held in the Limonaia, or lemon house, in the Boboli Gardens, which are situated be-

hind the Medici's Pitti Palace; court gardeners cultivated rare citrus trees there. It was very hot, and my expensive lightweight suit wasn't working properly. The Italian guys looked a lot cooler.

The guests sat on long, tiered benches along one side of the lemon house, facing out toward the courtyard and the gardens, where cicadas could be heard in the trees. Marchetti knew neither of his neighbors in the front row: on his left, Contessa Sibilla della Gherardesca, a member of one of Florence's most famous families, and, on his right, Lisa Marie Fernandez, an American swimwear designer, who wore a body-hugging tropical-print pants suit. Fernandez was in animated conversation with the man on her other side. "Oh, you always look so handsome!" she cried, fanning herself.

In Internet terms, fashion shows are prehistoric institutions. Prototypes of the new season's clothes are shown to retail buyers and editors about six months before they appear in the stores. Buyers make orders based on what they see at the shows and the showrooms, and those orders are transmitted to the factories that produce the clothes. In the old days, the public wouldn't see the clothes until the ads and the editorial spreads featuring the new season's fashions appeared in magazines, shortly before the time of their arrival in the stores. As Imran Amed, the founder of the Business of Fashion, a London-based Web site, put it to me, "The communication cycle and the production cycle used to be in synch. But now they're out of synch." Fashion bloggers like Amed tweet images from the runways, and the public knows what next season's clothes are going to look like when the buyers do. "So the brands are missing out on that initial surge of desire to own the clothes." Yoox was among the first sites to allow customers to order directly from shows in New York and Milan, a practice since adopted by Burberry. The labels can also find out which items from the runway shows generated the most clicks on their Web sites and are therefore likely to be popular in the stores.

Stefano Sassi, the C.E.O. of Valentino, greeted Marchetti with kisses, and they chatted for several minutes about the Valentino store, which Yoox operates. Sassi said, of his teaming up with





Yoox, “You need cultural appreciation. You need someone who can translate your image, someone who understands you—someone who is one hundred per cent part of your community.”

Marchetti brought up Amazon Fashion, although he declined to say that he viewed the behemoth e-tailer as a threat. Luxury is a completely different culture from Amazon’s, he insisted, one that is related not to volume or cheap prices but, rather, to exclusivity and to protecting the brand’s equity. When I asked Amazon’s Cathy Beaudoin about that, she responded that the real risk to equity is that these brands could “become irrelevant, by remaining outside the conversation fans are having about brands online.” She added, “The world has changed in that ease of access and convenience are also luxuries, including the ability to try things on in the privacy of your own home.”

“Would you sell Valentino on Amazon?” Marchetti asked Sassi.

“No, no, no,” Sassi said, closing his eyes and shaking his head, as if to clear the thought from it. “Valentino is high luxury; we want to control our image. So my first feeling is no, that our customer is not Amazon’s kind of customer. People going to Amazon are not going to Valentino.” He thought for a moment, then said, “Well, let’s see how they are going to do this thing. But, look, to translate our world into that environment—this is not easy. We are not just developing fragrances here.”

Yoox’s corporate headquarters are in the Naviglio section of Milan, to the southwest of the fashion district, in a trendy area bisected by the Naviglio Grande canal. Marchetti’s office is on the top floor of the building: a large, open space with dramatically high ceilings and heavy red drapes, for subdividing the room. Walking into it, you half expect to hear someone say, “Pay no attention to that man behind the curtain.”

Today, Marchetti is a lionized Italian businessman—in 2011, he received the Leonardo Award for Innovation, the Oscar of Italian entrepreneurship. Marchetti describes his business as a fashion “ecosystem,” in which discount and full-price items go together in a new way. Younger designers, nurtured on The Corner, can grow into megabrands, with their own Web sites powered by Yoox. Those

brands in turn give Yoox’s buyers special access to the best of the end-of-season goods, which are discounted on Yoox.com, relieving the brands of the tricky problem of liquidating their overstock.

To pay back his early investors, Marchetti took Yoox public in 2009—the only I.P.O. on the Milan stock exchange that year—and the stock is trading at more than double its offering price. Jobs at Yoox are much sought after; the company receives two hundred résumés a day. Still, Marchetti says that his biggest challenge as C.E.O. is finding good people. The best candidates are abroad, and persuading them to move to Italy isn’t always easy. That Yoox is generous with stock options helps.

During my visit to corporate headquarters, I met the keeper of Yoox’s algorithm, Alberto Grignolo, a husky, balding man with pale eyes and a large, smiling face. He explained that the algorithm, which is made up of some four hundred pages of code, is used by Yoox’s buyers to help them decide how much of a particular item to order and the target price. “The usual question they ask is ‘Tell me what will sell.’ So we designed a set of rules—if you are generating a lot of profit margin with a particular product, then that is the product you should buy more of, because you will make more money. But don’t buy much more, or you will have too much left over.” Of course, bricks-and-mortar buyers make the same decisions, but they tend to be far less data-driven, and guided more by intuition. That they are wrong a fair amount of the time is the reason so much overstock exists.

“But it’s a weird world, fashion,” Grignolo went on, “because there are swings in demand fuelled by trends, by the designers, by magazines telling you what to wear next season. So you know a certain item is profitable, but to what extent will it be popular next season? The algorithm knows that last season two per cent of our sales were in pink items, let’s say, so next season do two per cent pink again, whereas a buyer may think pink is going to be hot—because the trendsetters will make it hot—so he buys five per cent.”

The algorithm also sets prices on the discounted items. In the course of a year, it will set a hundred million prices—far more than a bricks-and-mortar store could manage. For the customers, the



algorithm tries to serve as “the perfect clerk,” as one Yoox worker put it to me, by showing you items based on your purchase history and on the purchase history of others who have bought things you’ve bought. However, these kinds of recommendations can be trickier in clothing choices than in, say, books, because people don’t want to wear what other people are wearing. People dress to look different.

As was often the case when I spoke to people at Yoox, Grignolo gave me a glimpse of the future. In linking the two planets, fashion and the Internet, Marchetti has unleashed forces that may eventually disrupt everything about the fashion business. Using the Internet to buy clothes is only the beginning; in the future, buyers might use the kinds of data that Yoox mines to make better-informed purchase decisions, which would reduce end-of-season overstock. Future trends might be predicted by an algorithm—a sort of fashionista Hal.

Grignolo didn’t think that would happen. “The algorithm predicts things based on what it has already seen. You, the buyer, think this designer is going to be hot this season—well, the algorithm can estimate the likelihood that you are completely wrong. But it will not necessarily be able to predict the next hot designer itself.”

Most of the two million orders that Yoox ships each year go out of its main logistics center, in Bologna. At any given time, the Yoox Group has more than three and a half million items in its main warehouse, including a million pairs of shoes, half a million shirts, three hundred thousand pairs of pants, and, somewhere, I was thinking as I toured the place, the perfect lightweight summer suit. Ninety per cent of the goods sell within a year. In the meantime, they sit in containers, on long, forty-foot-high rows of shelves; at four hundred thousand square feet, the warehouse may be the world’s biggest closet.

The logistics center is a marvel of Taylorist efficiency. Giuseppe Guillot, Yoox’s chief operating officer, took me through the operation from beginning to end. “We go from the physical world, to the digital, back to the physical,” he explained. When clothes arrive at the warehouse, they are tagged with radio-

frequency I.D. markers—throat-lozenge-size disks, encased inside the label, that are linked to bar-coded information about the garment’s size, color, and style. Folded items are placed in black plastic storage bins that look like large milk crates. The crates are packed randomly—pants, shirts, and sweaters are mixed together willy-nilly. When an order comes through, a large robotic arm darts up the aisle and grabs the bin containing the item, and it is placed on a conveyor belt that uses the R.F.I.D. tag to deliver it to the correct wrapping stations, which are manned by humans. Were items sorted with their like, the humans would have to search all of them to find the one matching the order, but since items are sorted randomly, it’s easy to spot the right one. “Chaos is our friend,” Guillot said.

Returns, however, are handled the old-fashioned way. Just as in the bricks-and-mortar world, workers check returned garments for stains and signs of wear, and sniff them for sweat, smoke, or perfume, and they have to make sure their R.F.I.D. tags are still attached; if not, Yoox won’t take the piece back. (Otherwise, counterfeiters could return fakes and keep the genuine items.) Customers don’t have to face a possibly disapproving clerk, as they would if they were returning something to a physical store. And some people try to get away with returning soiled items they’d be too embarrassed to take back to, say, Bloomingdale’s. Yoox keeps a list of serial returners (real stores do this, too), although, according to Marchetti, it’s a very short list. Items that pass muster are returned to the enormous closet to await the next customer.

We watched for ten minutes or so as the robotic arms went about their business, whizzing up and down the aisles, snatching luxury-laden plastic bins from shelves. The democratization of luxury, a murky concept elsewhere, was occurring all around us. Somewhere out there, people were clicking the “Complete your order” button, and those clicks were translated into machine actions. Instead of the stuff one thinks of as luxury—personal service, exclusivity, sumptuous scented surroundings—there was highly automated, algorithmically ordered chaos. Maybe this was the new luxury. Or maybe it was the end of luxury as we know it. ♦