



THE WALL STREET JOURNAL. **EUROPE** WEDNESDAY, SEPTEMBER 12, 2007

For Armani, is an outsider the right fit for Web sales?
MARKETPLACE | PAGE 30

How a Muslim billionaire is thriving in Hindu India
NEWS IN DEPTH | PAGES 14-15

Ford undecided on Volvo
Uncertain route
Ford is considering selling its stable of European luxury brands, despite signs that the unit is poised to report pre-tax profit this year. Pre-tax profits/losses for Ford's Premier Automotive Group, which includes Volvo, Land Rover and Jaguar.

New designs on the Web

In tapping Yoox.com for e-commerce role, Armani follows trend

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DESIGNER Giorgio Armani has been on the cutting edge of fashion for decades. But like many fashion brands, he's trailing when it comes to the Internet.

Managing world-wide shipping, logistics and warehousing was just too much for his company, which excels at designing suede heels and satin dresses. To get over the hump and sell its Emporio Armani brand online, the firm had to break a high-fashion taboo, relinquishing control of distribution, sales and customer relationships to outsiders. It chose to hire Yoox.com, a Bologna-based Web retailer, to create a new online boutique, www.emporioarmani.com, which went live late last week in the U.S.

As they have expanded their business around the globe, such brands as Emporio Armani, Christian Dior and Bottega Veneta have insisted on owning and managing almost their entire chain of boutiques in order to keep tight control of their image and their customers. Embracing the Internet ran counter to that strategy; the medium's widespread accessibility clashed with the exclusive image that high-end fashion brands try to convey. Moreover, most luxury-goods companies didn't have the skills to navigate online commerce.

"It's like franchising the virtual part of a brand's commerce," says Federico Marchetti, who founded Yoox.com seven years ago.

Over the past two years, though, many fashion houses—from Louis Vuitton to DKNY—have made the leap, realizing that they must connect with consumers who lie outside their network of stores. E-commerce boutiques are increasingly becoming a clever way to cover new territory without the crushing investment and headaches of rolling out new stores.

The strategy carries risks, however. By using companies like Yoox to help them sell online, fashion brands are rendering themselves vulnerable to the same pitfalls presented by franchising in the 1980s and 1990s. During those years, companies such as Yves Saint Laurent, Dior and Burberry cheapened their images by farming out their names



Screen grabs from Bologna-based Web retailer Yoox—for the sites for Emporio Armani, above, and Marni, an avant-garde Italian brand with an artsy edge, below.

to local partners in dozens of countries for use on cheap items from umbrellas to cigarette lighters. In order to re-establish their exclusivity, fashion houses became much more cautious in the past decade.

That's why some of the biggest fashion houses—Gucci, Louis Vuitton, Hermès—don't sell clothes online. Instead they try to stick to items that don't need to be tried on for size, such as bags and watches. For the few brands that venture online without a partner—such as Gucci—providing basic customer service, notably free shipping on returns, can be expensive and cumbersome. Selling items like \$2,995 silk cocktail dresses on the Internet is so complicated that many labels,

proached Yoox for help. Mr. Marchetti expects to guide half of them to the Web by the beginning of 2009, when Yoox plans to get a stock-market listing. GSI Commerce Inc., a Pennsylvania-based e-commerce operator, counts Burberry PLC and Polo Ralph Lauren as clients.

But setting up shop online has proved tricky. Marni, an avant-garde Italian brand with an artsy edge, was the first to launch itself with Yoox on a site that went online a year ago. Figuring out how to depict the brand was difficult because Marni doesn't advertise. Gianni Castiglioni, the brand's president, suggested replicating the store design online. A photographer went to several Marni boutiques, shooting low tables, globe lights and the metal arcs that serve as clothing racks. A collage of the shadow images serves as the site's background. "We wanted the same look of our real stores," says Mr. Castiglioni.

That wasn't always possible. Marni didn't want its clothes photographed on mannequins for fear that would make the products look more ordinary. Yoox was convinced the clothes wouldn't sell unless shoppers could see them on a human form. The compromise: A frock is shown suspended, as if on a hanger, until the shopper clicks on it, when it appears on a mannequin. The site has done about €5 million (\$6.9 million) in sales in its first year, Mr. Castiglioni says, as much as a flagship store.

Emporio Armani had even more demands. It wanted to introduce its site in the U.S. to fill in the gaps in its 10-store network, gaining access to untapped cities such as Chicago. The European site is scheduled to open next

Please turn to next page

High fashion's leap to Web

Continued from previous page
year, and Asia will follow.

Armani wasn't taking any lessons on how to create a fashion aura. During meetings with Yoox's team at Armani headquarters in Milan over the course of a year, Mr. Armani would blow into the appointment and spew ideas of what he wanted. The 73-year-old designer was obsessed with the idea of making the site look sophisticated and not like a catalog, says Robert Triefus, Giorgio Armani SpA's vice president for communications. He had his store-design team hand

over the architectural plans of the brand's flagship store in Milan so Yoox could map the Web site around it. Visitors to the site can turn left or right, just as they would at the Milan store, and the site even reproduces the video-screen walls of the actual store.

But Mr. Armani wasn't satisfied with the results and sent back early drafts. He wanted the site to look three dimensional, and he wanted a spotlight to shine on each product as it moved across the screen, a technique used in stores to lend elegance. Yoox had never used such a visual effect, and it had to invent a new software code, using shadows on the adjacent items, to create the optical illusion.

Shooting photos was also a problem. The Web retailer's photographers shoot 1,500 items a day for Yoox's own site. But Emporio Ar-

mani kept nixing Yoox's pictures. Some lacked the glossy fashion-magazine quality that Armani wanted. The numerous reshoots slowed the process down, and Emporio Armani was forced to pay Yoox an extra fee to rush its products to the front of the line.

At the company's Bologna warehouse, Mr. Marchetti points to a metal cart of Emporio Armani leather bags that jumped ahead of other Yoox.com merchandise waiting to be photographed. "These have to be shot again," he says.

But even Emporio Armani concedes that having a reliable e-commerce site outweighs the risk of entrusting the brand to an outsider. Mr. Triefus expects the online boutique to become one of its biggest stores within the next few years, though he won't disclose sales targets. And the cost of opening up shop on the Internet is a fraction of the real-estate and design expenditures that go into opening a store on a famous shopping avenue. "We don't have to worry about the location, if we opened on the wrong corner," says Mr. Triefus.

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from Chanel to Dolce & Gabbana and Versace, offer nothing more than photos and store addresses on their Web sites.

Mr. Marchetti, a former luxury-goods analyst, started Yoox in 2000 as a way to sell stock left over from the previous season online for such labels as Roberto Cavalli and Diesel. Last year, he decided to expand by offering to produce the technical and logistical backbone for labels that wanted to move online in exchange for a cut of sales. So far, some 30 brands have ap-