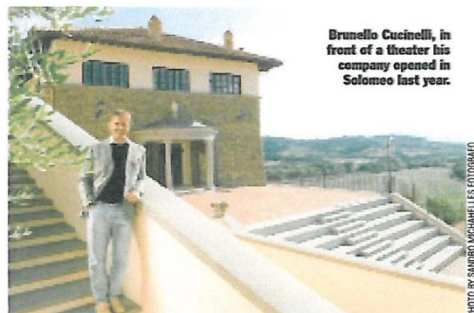




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Brunello Cucinelli, in front of a theater his company opened in Solomeo last year.

PHOTO BY SANDRO MICHAELLES FOTOGRAFICO

Cucinelli, Saks Fete Success

By Jean Scheidnes

BRUNELLO CUCINELLI, KNOWN FOR HIS LABELS SPORXY-CHIC wardrobe essentials and especially superluxe cashmere, has eked out sales growth during the recession and been a brilliant spot for Saks Fifth Avenue, the brand's biggest U.S. account. A week-long celebration of their partnership culminates with a party tonight at Saks' flagship.

"We've had just extraordinary performance with this brand," said Ron Frasca, Saks Inc.'s chief merchandising officer. "The sell-throughs are crazy. In the middle of this recession, he has something fresh, appropriate, of extreme quality, super tasteful — and price is not an object. It just sells, from our big stores to our small stores."

This year, the brand has done \$13.9 million in retail at Saks, with \$3.9 million in men's.

In September, Saks had a direct mailer featuring exclusive Brunello Cucinelli product. On Wednesday, it installed the brand along with Italian cultural works, including an extremely rare first-edition of Dante's "Divine Comedy," in the Fifth Avenue store windows. Major cities in Umbria loaned pieces of medieval or Renaissance art from their museums.

Cucinelli studied land surveying and engineering in Perugia, Italy, in the Seventies before he spotted the business potential of applying wool dyeing methods to cashmere. By 1985 he had sold enough cashmere sweaters to buy and renovate a dilapidated 14th century castle in Solomeo, Italy. He moved his headquarters there, reviving the ancient hamlet in the process, and eventually expanded to a nearby campus with a park and a fruit orchard, believing people do their best work in a dignified setting. Employees have access to a cafeteria, health care and child care, among other services. Another reason Cucinelli offers his employees so much is that even in Italy, with its heritage of craftsmanship, it is difficult to recruit young people to do manual work.

"Young people don't want to work in factories," he said. "But if we want to make a product of quality, by hand, we need people to do that. So I create an environment where workers can find it beautiful and pleasing and harmonious. It makes them feel creative." He reinvests 20 percent of the company's revenues in Solomeo, restoring historic places and building public amenities such as a theater and a sports center.

"Everyone who works there can feel pride in creating that. We do it all together with our work," he said. The company also helped build a kindergarten and a hospital in Malawi. "I believe in capitalism but it has to be enlightened. The concepts can be applied to your company, to any company."

In September 2008, Cucinelli assured all of his 500 employees that their jobs were safe.

"I focused on my people to make sure everybody would get more creative, more special, more human, to get in touch again with those core values that are so important to human life," said Cucinelli.

Saks was an early supporter, opening the brand's first hard shop in the U.S., giving it a chance to showcase the lifestyle brand it had become. The line grew from knitwear into a full collection known for casual style and extreme quality. Cucinelli gives credit to Ralph Lauren for advancing sporty chic and men's merchandising over the years. To those pillars Cucinelli has added his own Italian sense of fit and color.

"The shop has great visual appeal, with this great palette of neutrals and a couple of unique, unexpected colors. He has a fantastic eye for color and how it relates back to the more neutral palette," said Frasca. "Women and men both want clothes that don't make loud statements and that make them feel good."

Brunello Cucinelli has U.S. stores on Bleecker Street in Manhattan, in East Hampton and Beverly Hills, and stores in the pipeline on Madison Avenue, in Las Vegas and in Bal Harbour, Fla. Those are necessary for brand building, but Cucinelli clearly prefers and relishes the partnership aspect of wholesaling. He has no interest in e-commerce because he believes luxury requires limited distribution to be truly luxurious.

Brunello Cucinelli had 2008 turnover of 144 million euros, or \$212 million at current exchange. The U.S. accounted for 24 percent.

Year to date, U.S. wholesale revenue is \$40.2 million, up 2.6 percent from last year and up 16.2 percent from 2007. Cucinelli aims to hit \$70 million in three years.

Since orders for spring-summer are up 14 percent, the company is targeting 15 percent growth for 2010.

It continues to increase advertising spending, including a 10 percent rise in the U.S. this year.

"We didn't ask magazines for discounts. We could have, but I don't want to squeeze people," said Cucinelli. "I want to have good relationships with them."

Yoox Looks to Grow, IPO on Track

By Andrew Roberts

MILAN — When Federico Marchetti set up Yoox Group in 2000 in a small workshop near Bologna, Italy, there were plenty of skeptics who said he wouldn't be able to sell high-end clothing and accessories online.

Not anymore. After reporting revenues of nearly \$150 million in 2008, the founder and chief executive officer of the fashion e-tailer plans to drive home his first mover advantage by listing on the Milan Stock Exchange before yearend, despite the fragile state of the financial markets.

"The best is yet to come," Marchetti said in an interview at Yoox's main logistics center a half-hour car ride northeast of Bologna. "My goal is to make Yoox global as quickly as possible and make it vertical, covering all the needs of the industry."

What started as a small workshop is now a 215,000-square-foot logistics depot, with additional hubs on the outskirts of New York and Tokyo, and offices in Bologna, Milan, Madrid and Paris. The depots shipped 1.7 million units to customers in more than 50 countries last year and employ 250 people.

Yoox operates the multi-brand sites Yoox.com, which sells predominantly past season, vintage and exclusive merchandise, or as

item to be identified and located at any time, anywhere prior to shipping.

"When my mother saw the amount of stock we have here, she was worried and said, 'My poor son! How do you manage?' But this system reduces the margin of error to nearly zero and makes us more efficient," Marchetti said, predicting an industry-wide evolution from bar codes to RFID eventually. "Everything we do is regulated by numbers. It's all about information."

Marchetti also has his own team of programmers and technical wizards who dream up proprietary intellectual property like mobile commerce applications or an automated machine for photographing shoes and accessories. He employs 25 photographers who snap 2,000 items a day in 17 digital studios inside the depot.

"We do everything in-house," Marchetti said, admitting he is "a bit of control freak," particularly when it comes to technology. "This is our core strategic asset."

By being built this way, Yoox has the advantage of economies of scale, a factor likely to motivate investors in its initial public offering.

"By covering all aspects, there are some monstrous synergies," Marchetti said. "We are the only ones to have something like this. There are other players who cover aspects of what we do, but no one has a com-



Inside the Yoox studio.



Federico Marchetti

Marchetti prefers to couch it, "What you can't find in the shops," and TheCorner.com, which functions as an online department store. It also develops and runs 15 e-commerce sites for brands including Emporio Armani, Diesel, Dolce & Gabbana, Jil Sander and Valentino — with others like Roberto Cavalli set to follow — and offers consultancy services, such as Web marketing, interactive design and digital experience.

While brick-and-mortar retailers have experienced some of the worst trading conditions in memory, Yoox has capitalized on the move away from conspicuous consumption, reporting a 48 percent hike in revenues in 2008 and near identical gains to 68.3 million euros, or \$90.8 million, in the first half of this year. Six-month earnings before interest, taxes, depreciation and amortization increased 149.8 percent to 4.2 million euros, or \$5.6 million, and the growth shows no signs of slowing.

A testament to his increasing influence, Marchetti is even a fixture in the front row during Milan Fashion Week.

But on a tour of the Interporto logistics facility outside Bologna, even if he concedes he has been "very lucky." He is applying technology to fashion and, in doing so, transforming the way brands do business.

For example, to confront a lack of standardization between manufacturers in stockkeeping — with bar codes and sizing differing by brand and market — Yoox tags each product on arrival with a radio frequency chip, or RFID, which is uploaded with key information. This allows the

plete model like us. After us, there is only the big mama of e-commerce, Amazon."

Amazon has ventured into the fashion arena, acquiring or building sites including Endless.com and Zappos.com for shoes; Javari.co.uk for accessories, and multibrand e-tailer Shopbop.com. Amazon also operates Diane von Furstenberg's e-commerce site, dvf.com.

"[Amazon's] strategy is very similar [to ours], but they are generalists," Marchetti explained. "We think it pays to be specialists."

While Yoox's venture capital shareholders, which include Kiwi, Balderton and Nestor, are expected to cash in some or all of their controlling stake when the company lists, Marchetti said he plans to use the capital increase to consolidate the business, accelerate growth, and invest in client and customer service as well as his employees.

"We want to give our clients an even more cutting-edge platform and our end customers a purchasing experience, which is even more sophisticated and customized to their needs," Marchetti said. "We want to recruit and retain rising stars. We have always done that, and we want to continue to do so even more."

He also plans to expand in fast-growing luxury markets, particularly Asia.

"At the moment, we just send merchandise there, but the aim is to localize the market," Marchetti said. Italy accounts for around 28 percent of Yoox's sales; the rest of Europe, 50 percent; North America, 15 percent, and Japan, 6 percent.

He added: "We're ready. Everything is in place. Now it's just a question of growing."