



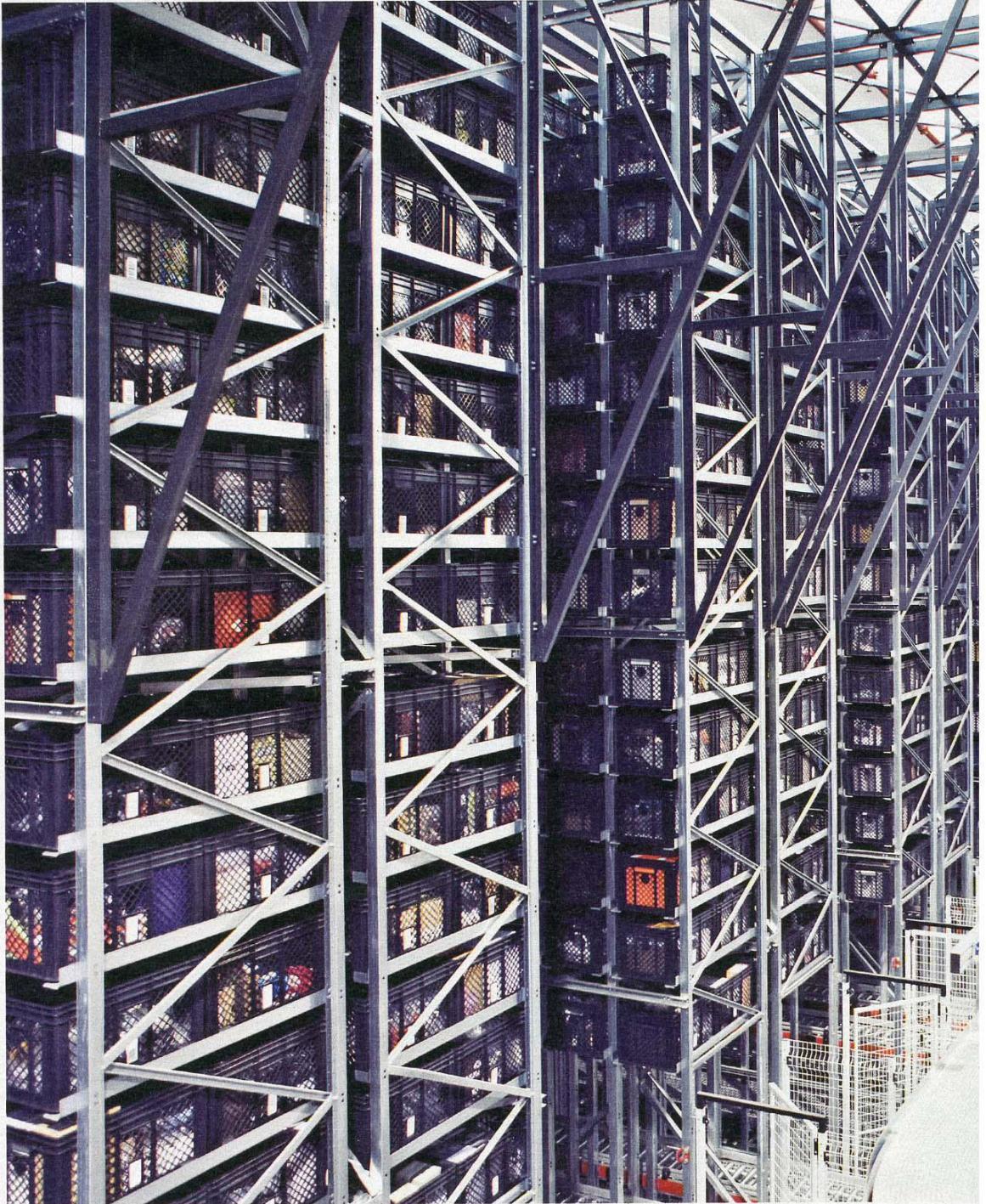
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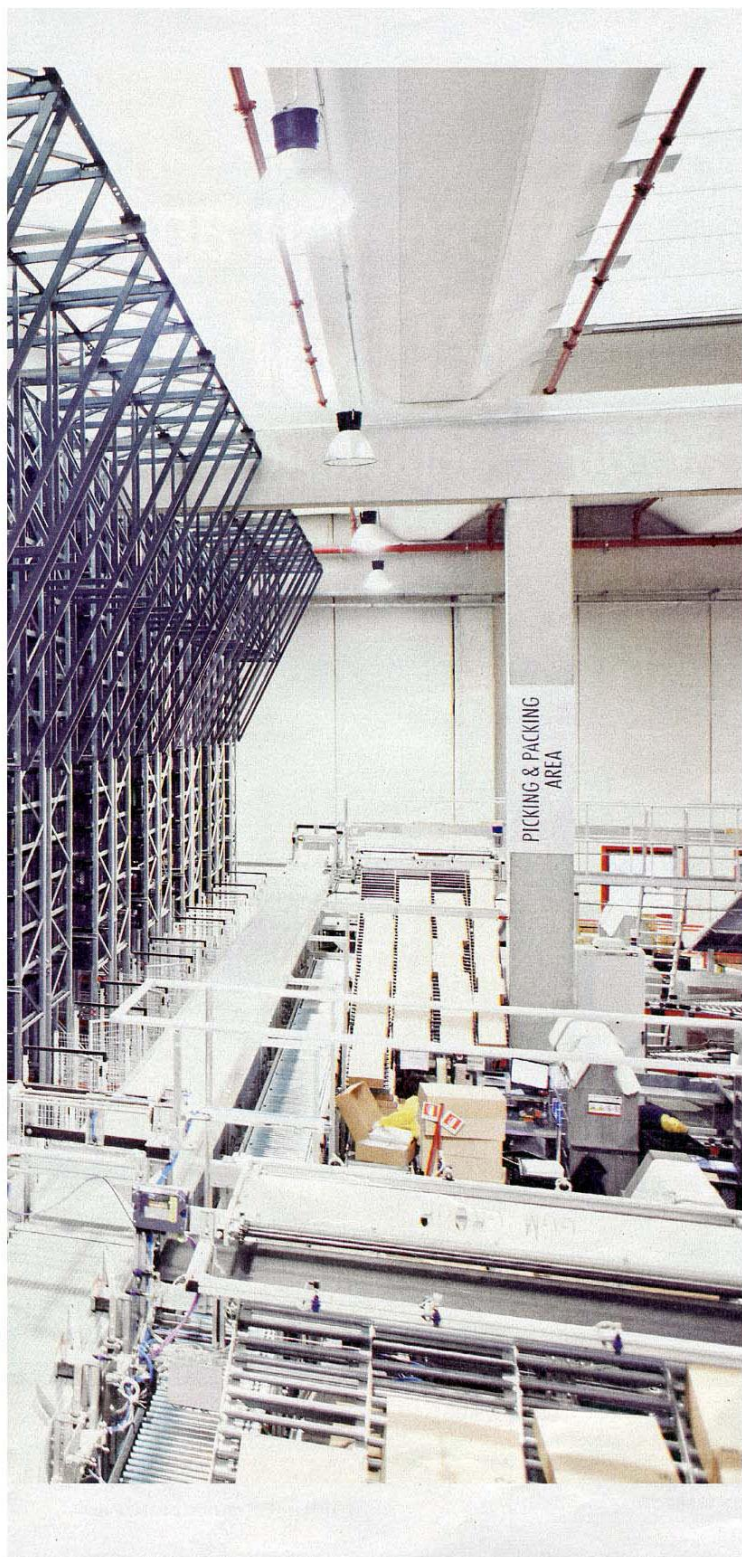


THE NEEDLE AND THE DAMAGE DONE
How Palestine's unemployment has become a vicious epidemic

SENDING THE GOWNS
Fashion's smartest delivery men

FOOD & HOME
Carluccio's pasta purveyors
Terry Woodcock's interior revolution





You can do a lot with boxes, trucks and your own algorithm. Ask Jeff Bezos, who put them together to build Amazon. Or Federico Marchetti, the most powerful man in fashion you've probably never heard of. Marchetti is the founder and CEO of the Yoox group, which launched yoox.com in 2000, now one of fashion's leading e-tail sites – one that actually makes money. The group has two other fashion sites, thecorner.com and shoescribe.com, which also make money. (A business is meant to be profitable,' Marchetti tells me.) It also powers the e-commerce operations of 37 of the leading luxury goods brands, from Armani to Zegna through Bottega Veneta, Marni and Saint Laurent. Yoox handles the logistics, picking, packing, shipping, customs, returns and customer service. And thanks to that algorithm it also has at its fingertips up-to-the-minute information on customer preferences, whims and fancies in more than 100 countries.

The company is now worth more than £1.6 billion and its preliminary results for 2013 showed net revenues up more than 20 per cent to nearly £380 million, while operating profit was up over 25 per cent to £20 million. It took 2.8 million orders last year, up 20 per cent. Net-a-Porter, which launched the same year as Yoox, reported turnover of £434 million in its last set of results (for the year until March 2013), also up about 20 per cent. But it made a loss of £23.2 million. The deficit was put down to, among other things, investments on distribution centres in the US and Hong Kong, a new social media platform called the Netbook and the development of a shiny new, old-fashioned print magazine called *Porter*. It's all investment in future growth. But Marchetti knows how to turn a profit.

There was even speculation last year that Yoox was talking to the Richemont group, which bought Net-a-Porter outright in 2010, about buying the Net-a-Porter business. Both parties deny any deal is imminent. Yoox, while admitting that it has been evaluating 'potential opportunities', said it was busy investing €100 million on its own innovation. But it didn't rule out future acquisitions.

Marchetti and Yoox are deeply embedded in the fashion system; wired in, coded in, overlords of its

Worldwide wardrobe

Each year two million orders leave the hi-tech warehouses of Yoox, destined for customers in more than 100 countries around the world.

Nick Compton visits fashion's answer to Amazon. Photographs by **Fred MacGregor**

In Yoox's distribution centre in Bologna orders are held in 40R-high units before being selected and packed



new infrastructure, directing digital information and analogue UPS men. As Marchetti puts it, he is the industry's new consigliere or eminence grise.

This new eminence, warm and professorial in person, directs Yoox operations from the company's headquarters in the Naviglio area of Milan. Here there are teams of smart young designers and art directors and content providers, many hired from local fashion magazines. They devise the editorial add-ons for the Yoox sites – the mother site has an area called the New Yooxer – designed to make them as 'sticky' as possible.

As one of Europe's few homegrown tech giants, Yoox is a popular place to work. And the offices, if not littered with ping-pong tables, still feel very new economy. There are sculptural self-portraits by artists and musicians scattered around, left over from a Yoox-produced exhibition called Dressing Ourselves, and, here and there, bicycles with eco-leather saddles and solar-powered lamps. A life-size model of the Italian architect and designer Andrea Branzi scans visitors in the reception.

Marchetti has a large double-height office upstairs. It has a dark floor but all the furniture is white and the ceiling is what looks like white corrugated steel. The space is big enough to house a separate meeting room and a photography studio and a team of young charges tapping away at an assortment of large desks. A ramp leads to a rooftop terrace that

the employees can use in the summer. Occasionally there are parties, and next winter Marchetti is planning to install an ice rink.

Marchetti's desk takes centre stage. And it is very much a stage, surrounded by a circular system of theatrical red drapes that can be drawn for privacy. Here Marchetti can play the Great and Powerful Oz, the unseen force pulling levers and creating fantasy worlds from behind the curtains.

The mechanics behind this magic act are in Bologna, Italy's logistics hub. Here, on the outskirts of the city, is Yoox's technology temple and a series of warehouses, geared to dispatch designer goodies across Europe. (It has similar facilities in New Jersey, Hong Kong, Japan and mainland China.) The high priest in these parts is the chief operating officer, Giuseppe Guillot, a systems man with an MBA from Columbia University. Inside there are ranks of the young and tech-savvy writing code and directing digital traffic (the average age of the Yoox employee is 30, conveniently the same as the average age of the Yoox customer). Electronic screens display spiking demand in Yoox's various server farms around the world. When I was there, the UK seemed to be doing some very determined online shopping. (Indeed, it turns out the UK is one of the company's key growth areas.)

Guillot describes himself as a plumber, constantly

alert to blocked pipes and disturbances to the inflow of orders and the outflow of deliveries. It is his mission, among other things, to ensure that at least 99 per cent of orders arrive on time. But that is only part of the larger, more complex job, algorithm assisted, of ensuring the right information goes to the right places and is acted on in the right way.

Not that it is all trucks and terabytes. This online acquisitiveness is driven by demand and desire, by the product and the image. The images are created by 60 photographers in 55 studios, long rows of square black boxes in another Yoox complex. Here straight-on but still seductive product shots for yoox.com and the many mono-brand sites are cranked out with martial efficiency. Brand representatives come and go to make sure that their precious product is being shot exactly as they would like (one of the many complexities of partnering with 37 of the most controlling brands in the world). Still, at peak times 15,000 pieces are shot each day. In another part of the warehouse Fun-Tom, an automated system using 41 moving Plexiglas mannequins, can shoot 200 outfits in an hour. Yoox has also developed its own software, Turn-Oh, which can stitch together 30 shots to create 360-degree animations. There are separate warehouses for folded items and hanging items; another is being built just for shoes.

Two million orders are shipped out of these

'I do think that Yoox appeals to the fashion-savvy. They believe in their own personal style, they are connoisseurs'

As well as the clothes on yoox.com, Yoox handles the logistics for 37 leading luxury goods brands



warehouses every year. Each piece that comes into the warehouse is tagged with a radio frequency ID marker with a unique code. The pieces are then placed randomly, and deliberately so, in large black plastic baskets. These are stacked high in 23 40ft-high corridors. As orders come in, transelevators – warehouse robots that the Yoox staff call aliens – speed down the corridors at six metres per second until they get to the basket containing the order. The alien then feeds the basket on to an elevated set of tracks that winds its way around the warehouse like a downscaled rollercoaster. The ID marker triggers a set of flippers that shoot the basket into the right one of 24 picking stations, where real people compile orders – the random packing, chaos in order, means they can more easily identify what they are looking for – before they are boxed up and taken off to the delivery trucks. The mono-brand stores have their own packaging, paper, ribbons and such, as well as packaging guidelines, which means that while 50-60 yoox.com orders can go out of the door every hour, only four or five orders from the Bottega Veneta site, for example, make that journey in the same time.

It is this mastery of the new digital marketplace, not only the handling of information orders but the quality of service, the attention to detail, that has made Marchetti a front-row fixture at the shows and one of the industry's key strategic thinkers.

Federico Marchetti was born in Ravenna, a small seaside city in north-east Italy, in 1969.

His father worked in a Fiat warehouse, his mother was a telephone operator. He studied economics in Milan and then did a three-year stint at the Milan branch of the investment bank Lehman Brothers. He took his MBA at Columbia University. When he returned to Milan he started working for the consultancy company Bain & Co, hated it and plotted an entrepreneurial escape route.

He decided he had found one in 1999. He would create a place for fashion brands to profitably dispose of end-of-season and prior-season surplus. The site launched, with only £1.2 million funding, in 2000. Yoox was breaking even within three years and from there it was onwards and upwards. But other sales sites arrived quickly. The French 'flash' sales site *vente-privee.com* was launched in 2001 and there are now countless sites offering end-of-season bargains, including Net-a-Porter's *outnet.com*, launched in 2009.

From the outset Marchetti was determined that yoox.com be aimed less at the bargain-hunter than the fashion sophisticate; those less concerned with the seasonal imperative and confident enough to mix and match designers and seasons. 'I do think that Yoox appeals to the fashion-savvy,' he says. 'These are people who know what was in previous collections and don't care that it is not current

season. They believe in their own personal style, they are connoisseurs. That is why we have so many customers who work in the fashion industry, and as journalists and editors. Franca Sozzani [the editor of Italian *Vogue*] is happy to wear vintage or a young designer or something amazing from Azzedine Alaïa three seasons ago.'

This was a pitch designed to appeal to the major fashion brands. And to establish the kind of relationship and trust that Marchetti could build other things on. 'I would be lying if I said that I thought about the mono-brand business back in 1999. But I knew there was a path, a long-term vision. I didn't just say Yoox is the best place to sell end-of-season clothes. I said Yoox is the global partner in e-commerce for the leading fashion brands.'

For all the theatricality of his office, Marchetti, 44, is unassuming and perhaps still a little dazed at finding himself in fashion's inner circle. High-end fashion brands and the luxury goods groups were notoriously slow to see the potential of the internet, both as a means to build brand loyalty and as a place to sell their wares. Marchetti believes they were right to hold fire. 'When I started Yoox, you still had to unplug the lead from your phone and plug into the computer and dial in and get that awful noise. They were right to be reluctant to try e-commerce. The level of technology, the logistics, the quality of websites, the experience on the net,

In another part of the warehouse an automated system using 41 moving Plexiglas mannequins can shoot 200 outfits in an hour

Sixty photographers working in 55 studios shoot as many as 15,000 products each day



none of this was great yet. Frankly, this was not the place to try to sell a €3,000 Bottega Veneta handbag. And the internet can be a dangerous place if you do things badly.'

When they were ready to move, though, when the potential upside outweighed the down, many of them went with Marchetti. It took a while but in 2006, two years after Marchetti had told his investors that running online businesses for fashion brands was the next stage of the company's development, he helped launch marni.com. Emporio-armani.com followed the next year. Others followed and in 2012 it launched a partnership with the luxury powerhouse the Kering Group to develop its e-commerce sites. François-Henri Pinault, the chief executive, said the group wanted to increase online sales to €1 billion by 2018. And Yoox were the people to help him do it.

Marchetti knew it would happen. He had a plan. Indeed Marchetti has a rolling programme of five-year plans for Yoox; tightly focused to do and not-to-do lists. 'I remember in the five-year plans for 2006 to 2011 we wrote that we were going to invest heavily in mobiles and smartphones,' he says. 'We would launch in China but only after the IPO [initial public offering. The company went public in 2009, a rare corporate event in Italy. Marchetti owns 11 per cent of the company in shares and stock options.] But also that we would never open a physical store or get involved in flash sales. We have been good in following our plans.

'It is human nature to try to do things you haven't done before. It is easy to launch things and invent things but this is a complex business and you can easily invest in the wrong things. And we love to be a profitable company.'

When it does decide to move, though, Yoox goes early and with commitment. It started researching mobile sales in 2006 and launched an iPhone app in 2009, one of the first shopping apps on the smartphone. It launched an iPad shopping app on the day the iPad debuted in the US, and mobile channels now account for 40 per cent of total traffic. Marchetti is determined that people should be able to shop wherever they are. And, especially in new markets such as China (where e-commerce spending is predicted to reach £540 billion by next year), that is exactly what it is doing.

Yoox and Armani were the first international online fashion retailers to enter the Chinese market, in 2010. It has made other efforts to endear itself to the Chinese super-consumer, recently introducing what it calls a 'butler service' – delivery men will wait for 15 minutes while you try on those Marni leggings and take them off your hands straight away if they are not having the desired effect. Marchetti's new big idea, though, is what he calls 'cross-channel' and what a number of high-charging consultants have recently decided to brand 'omni-channel'. Essentially, cross-channel is the integration of online and bricks-and-mortar retailing. It means that the store assistant needs to know exactly what the customer is



talking about and, even if the store doesn't have it (and no physical store carries a brand's entire inventory), be able to get it to the customer as soon as possible, in store or at home. Yoox has been working on this, and doing all the complex integration stuff, for a year and a half, which means that it, and its designer partners, should be ahead of the game.

Marchetti is not one of those who insist that stores in the real world should become largely showrooms where the till is rarely troubled and all the real deals are done online. 'I remember people saying that the fashion show will disappear and it will all go online. And that didn't happen. It's the same with physical stores. For one thing, we are talking about a ratio of about 97 per cent [in store] to three per cent [online] in terms of sales. So let's be realistic. The stores will always be there and they will always be the main business. But there was a report recently that said that 50 per cent of purchasing decisions were influenced by the internet [in China it is thought to be more like 70 per cent]. So you have to have more integration. In five years' time the mono-brand site and the flagship store will be completely integrated.'

In 2008 Marchetti launched thecorner.com, a site dedicated to smaller and emerging brands and selling current season, offering fatter margins than the end-of-season business. Marchetti also sees



'It is easy to launch and invent things but this is a complex business and you can easily invest in the wrong things. And we love to be profitable'

Top Federico Marchetti, the CEO of Yoox. His Proust Geometrica armchair by Cappellini is available from yoox.com. Above 50-60 orders go out of the door every hour

the site as an incubator, a place where brands can try out online retail before opening their own e-commerce sites – powered by Yoox, of course. Zegna and Jil Sander are two of the brands that have made that step up.

As impressive as the roll call of Yoox-powered mono-brand operations is, it still accounts for less than 30 per cent of the group's business. Marchetti needs a steady supply of new brand partners, even as his existing ones build their online sales. But Marchetti also sees thecorner.com as a support system and showcase for young brands. With Italian *Vogue* it created the Vogue Talent Corner in 2011, a display case for young designers during Milan Fashion Week.

On a personal level Marchetti has impeccable environmental credentials. He doesn't own a car and cycles to work. And bar ordering a fleet of electric-powered trucks, he is doing what he can to minimise the damage of his huge logistics operation. All Yoox packaging is made from recycled materials, for instance. In 2009 it launched Yooxygen, a platform for eco-conscious initiatives with various brands and celebrities. The latest is Master & Muse, an exclusive collaboration with the veteran model Amber Valetta, who has picked a selection of socially responsible clothes and accessories for sale on the site. It is a classic synergistic win-win and all for a good cause.

Marchetti is increasingly keen on such exclusive hook-ups as a way of differentiating the Yoox brand from other online retailers, pulling in new custom and keeping it there. He launched an art section on yoox.com in 2012 that saw exclusive collaborations with artists including Howard Hodgkin and Grayson Perry, as well as limited-edition prints from the Magnum Photos archive.

He is also keen on design – he admits that design is probably more his thing than fashion – and its appeal to the fashion-savvy customer. A design section went live on yoox.com in 2006, selling smaller items from most of Italy's leading design brands as well as a few exclusive ranges. At the moment it has an exclusive capsule collection by the Italian designer Achille Castiglioni and limited-edition Fornasetti plates.

If the fashion brands were slow to get the internet, the design brands were even slower. But Marchetti is also encouraging them to follow the mono-brand route, and the day I met him he was due to sign the first such deal with Kartell. Yoox later announced that Kartell had signed a six-year deal with Yoox to help it launch a mono-brand site this year.

The design area (think Yayoi Kusama tea towels, Gilbert & George plates) is already making money, and Marchetti hopes the art division will be doing so within five years. At the moment it is there, in part, because Marchetti knows that Bond Street does a roaring trade during the Frieze art fair, that the customer for a Julian Opie is also the customer for a Junya Watanabe for Comme des Garçons dress. More synergies and confluences and a little of what he fancies. ■