

THE AMAZON OF FASHION

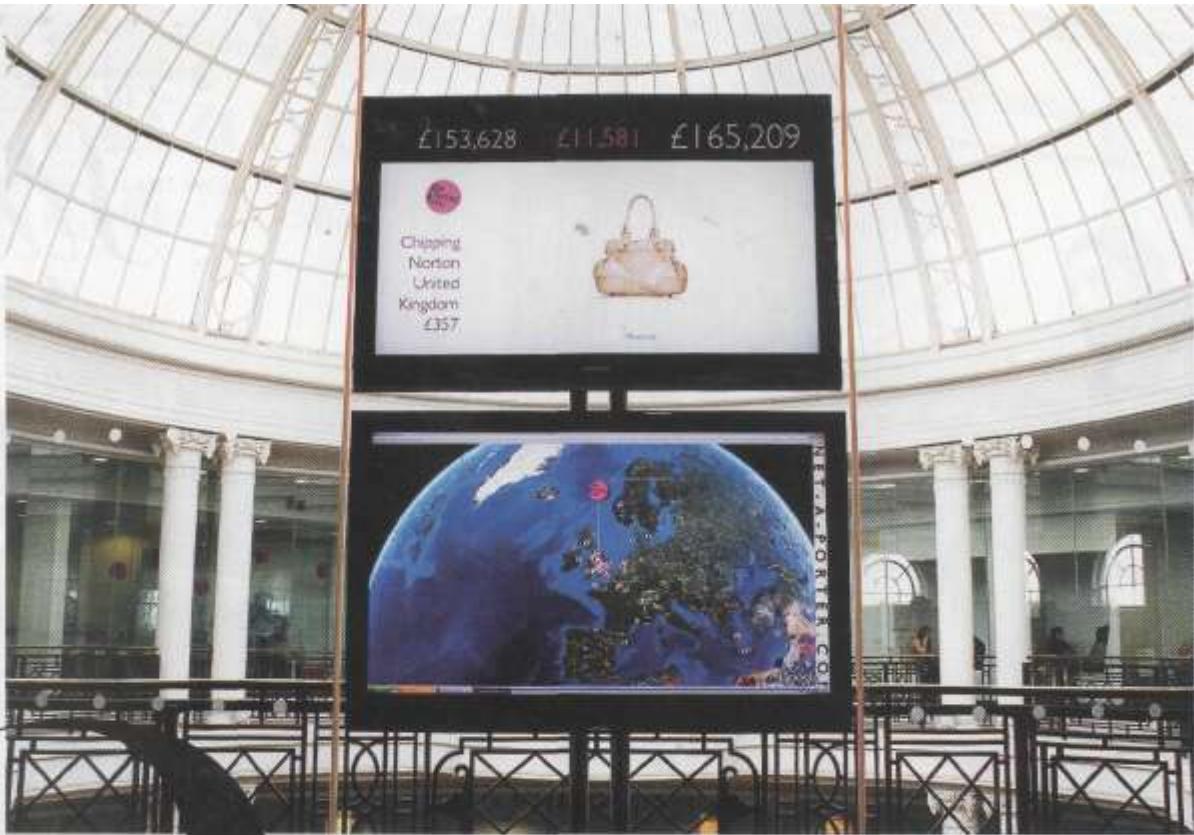
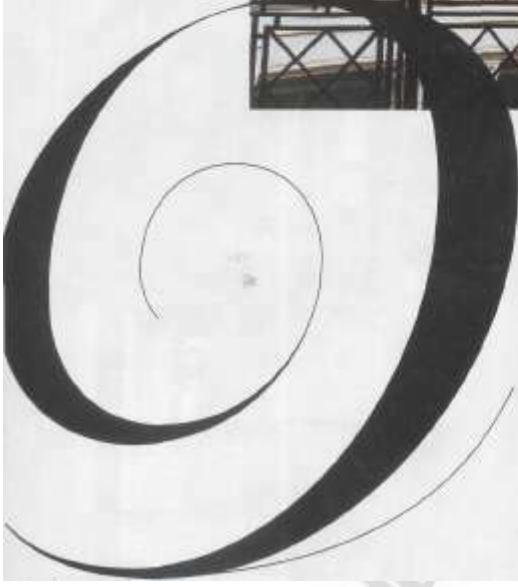
Chic digital merchant Net-a-porter is proving that women will buy a \$2,000 dress with just a click of a BlackBerry. High-end retail may never be the same.

BY JOHN BRODIE

PHOTOGRAPHS BY JOHN STODDART



RAISING KANE
MASENNET (FAR RIGHT)
AND NET-A-PORTER'S
BUYING DIRECTOR,
HOLLI ROGERS (ON
COUCH), CAN SELL AND
PROMOTE DESIGNERS
LIKE CHRISTOPHER
KANE (ON LEFT).



BRAVE NEW OFFICE
TWO SCREENS—ONE SHOWING
INCOMING ORDERS PLUS THE
DAYS TALLY, THE OTHER AN
ORDER'S ORIGIN—DOMINATE HQ.

NE MORNING LAST WINTER Louise Kahrmann de Muller, a Paris-based publicity executive, was headed to London. Sadly, Air France lost her luggage. For most business travelers this would be an annoyance. For Kahrmann de Muller and the dozen fashion editors she was traveling with, the lost luggage was a tragedy. Each had packed carefully choreographed outfits for

Fashion Week, two per day for the next seven days—and Kahrmann de Muller's first event was that night. As she headed from the airport to the Mayfair Hotel, she did not panic. Instead she grabbed her BlackBerry and started shopping on a website called Net-a-porter.com. By the time she met up with a group of Parisian fashion editors to mourn their lost outfits at the hotel bar, a van from Net had raced through London traffic and delivered a dress from the cool new designer Thread Social to her hotel room. She wore it that night to a party at the Victoria and Albert Museum.

It's not just these moments, when Net rescues a fashionista in distress, that have made the London-based website into a retailing wunderkind (last fiscal year's results: \$134.5 million in sales and \$16.6 million in pretax profits). What Net founder and chairman Natalie Massenet (mass-in-oy), 44, has done is combine on one website the thrill of shop-

ping at a chic boutique with the pleasure of reading a fashion magazine. Net not only showcases and sells clothes but also publishes a weekly online glossy that decodes the latest trends. And by mixing these two addictive leisure activities—shopping and perusing a magazine—into one designer drug, Net is doing for \$2,000 Calvin Klein dresses what Amazon did for *The Da Vinci Code* and iTunes for Coldplay. As a result the company is growing exponentially at a time when many purveyors of luxury goods are struggling.

Net's total sales were up 45% for the first 13 weeks of its fiscal year (beginning Feb. 1), while sales at Neiman Marcus Direct (the side of Neiman's business that includes its web and catalogue sales) are down 14% for roughly the same period. Net may be small when compared with other

Internet retailers like Zappos, the online shoe store that topped \$1 billion in sales last year and was recently acquired by Amazon.com. But the space Net operates in is growing—particularly in the U.S., where a new study conducted by Forrester Research projects that web sales will reach more than \$156 billion in 2009, representing 6% of the total U.S. retail pie. Because of Net's global reach and its ability to predict the trends, it is already playing a significant role in transforming how designers reach customers in this growing marketplace.

With an emphasis on service that includes the option of same-day delivery in New York City and London, Net is riding a tidal shift in how women shop. "The retail experience is not what it used to be. I hate shopping, but I love shopping online," says Kahrmann de Muller of why she spends about

\$1,000 a month on the website. "I work hard. I don't have a lot of free time, and I don't like salespeople hovering over you if you walk in wearing something fabulous or looking down at you if you're wearing gym clothes."

Net-a-porter is profiting from industry upheaval too, as the traditional bonds between designers, department stores, and fashion

editors have begun to fray. Some designers have become less dependent on department stores as they have aggressively opened their own boutiques. Meanwhile consumers have come to expect new merchandise more frequently, thanks to the web and fast-fashion retailers like H&M. Traditionally designers have shown their spring collections in the fall (and fall collections in the spring) so that store buyers could place orders six months in advance (and magazine editors could likewise prepare their coverage). In the era of the

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iPhone, consumers can't understand why they must wait so long for a product they have already seen on the runway.

Nor do consumers appreciate the mixed messages they receive from department stores and fashion magazines: Buyers at department stores generally base their orders on sales figures from the past, hoping to repeat their successes, while fashion edi-

tors often gravitate to the most avant-garde pieces, which will make dramatic pictures. "So you have one industry that was very forward-thinking and one that was very backward-thinking, and stuck in the middle is the consumer who was being told what to buy but not necessarily where to find it," says Massenet, whose editorial and buying teams travel to shows together. "So by creating a site that does both, we think the place where the time-starved consumer gets her fashion news will also be the place where she chooses to shop."

Massenet foresees a world in which designers will rebel against long lead times and start taking collections directly to the consumer through their own boutiques or over the web. Indeed, in February 2008, as Halston was being relaunched under new management, the company struck a deal with Net-a-porter to sell two dresses the day after its debut runway show. See the dress on your computer on a Tuesday; wear it Wednesday night.

There are other sites that Halston could have worked with. Bluefly has more traffic in the U.S. than Net-a-porter but has a lower average order (\$250 to Net's \$820). Shopbop.com is owned by Amazon, but it lacks Net's prestige in the fashion world. Nordstrom's website, which had annual sales in its last fiscal year of \$698 million, dwarfs Net's revenues. Yet Halston's CEO, Bonnie Takhar, chose to work with Massenet. "Net-a-porter is the only luxury global e-tailer," she explains. "First off, it is set up on a distribution scale to really service 170 countries. And then, second, Natalie's portfolio of other designer brands, her merchandise, and her content in my opinion are really the best in the world."

CLICK-N-GO
NET OFFERS ITS
OVER 2 MILLION
UNIQUE MONTHLY
VISITORS A WEEKLY
ONLINE MAGAZINE
(RIGHT) AND SAME-
DAY DELIVERY IN
NEW YORK AND
LONDON (BELOW).





T'S A TUESDAY MORNING IN MAY, and the company's London headquarters is buzzing like a trading floor. Today a mini-collection designed by Stella McCartney is scheduled to go live on the site. The items that McCartney created exclusively for Net include a jumpsuit (yes, *Charlie's Angels* fans, they are back) as well as several pieces featuring a cloud print from Peter Blake, the British pop artist who incidentally created the artwork on the Beatles' *Sgt. Pepper's Lonely Hearts Club Band*. (Stella is a daughter of Sir Paul.)

Net's offices, situated in the dome of a former department store called Whiteleys, have been retrofitted as a bullpen. At rows and rows of computer terminals sit some of Net's 454 employees: buyers, personal shoppers, editors, art directors, and marketing teams. The click-click of keystrokes mixes with the click-clack of Christian Louboutin heels. The focal points of the office are two giant flat screens that track orders as they come in, a motivational tool that reminds everyone that this is all business. The top screen shows an image of the products and the price of each order as it is placed, along with a running tally of the day's sales figures. The bottom one depicts a map of the world that rotates to show the origination point of the latest order.

ALMATY KAZAKHSTAN \$806 moves across one monitor as the locator screen tracks over Europe and past the Caspian Sea before alighting on the business center of the former Soviet Republic. The locator map then shifts to HAMBURG, GERMANY, while on the adjacent screen a \$350 organic cotton tee with that Peter Blake cloud print drifts by. Claire Jessup, a PR executive at Net, begins ringing a bell to let those who missed it know that a Stella McCartney item just sold. The clanging is a throwback to the days when the company was just a handful of people working out of a studio, and each sale merited a celebration. An air horn blasts from another side of the office, indicating that theOutnet.com, the company's newly launched discount channel, just rang up a sale. (On theOutnet you'll find a Diane von Furstenberg dress knocked down from \$895 to \$403.) "We used to yell 'Ka-ching!' every time we booked a sale," says Massenet as she walks through the bullpen, pausing when

she notices a scarf-hood combo (known as a snood) move across the screen. She is almost giddy at seeing a trend that Net-a-porter has been pushing editorially gain traction with customers, so she yells, "Snood alert!"

Even before the snood is off the screen, the fun is over, and a race to get the merchandise into the hands of its purchaser begins. Net operates two distribution centers: one outside London and the other in Long Island City, N.Y., just across the East River

from Manhattan. The warehouses are anonymous industrial buildings on the outside, but inside they bloom with designer dresses, coats, handbags, and shoes. The clothes are elegantly packed with tissue paper and put into Net's signature black bags. Delivery is by UPS for regular orders in the U.S. and DHL for the rest of the world, but rush orders in New York and London travel in black-and-white vans staffed by deliverymen who are allegedly hired for their looks and manners. In a company with no brick-and-mortar stores, the deliverymen are one of the few points of actual customer contact. The London distribution center processes about 1,000 orders on a typical day, but "when it is raining at lunchtime, we know it is going to be a big day," says Paul Layton, Net's director of operations, because office workers tend to eat at their desks and go shopping online.

MASSENET HAS BEEN INTERESTED in fashion since she was a little girl, and as she got older she suspected she might want to be an entrepreneur. If you were going to breed the perfect style guru, you might take a Chanel model (as Massenet's mother was) and have her sitting at Paris's Cafe de Flore, where a Hollywood publicist might chat her up (as Massenet's father did). Natalie grew up in Paris and Madrid until the age of 11, when her parents separated; then she returned to Los Angeles, where her dad and paternal grandmother finished raising her. She looked forward to school vacations and being with her mother in Europe. It was on her return trips to California, armed with cutting-edge clothes, that she began to understand fashion's power. "When I got back to school in the fall, I remember everyone asking me, 'What are you wearing? That's so weird.' And I would say, 'Oh, you laugh now, but in six months you'll all be wearing it.'"

After graduating from UCLA she worked as a stylist and a fashion writer for *Women's Wear Daily* and eventually for the British magazine *Tatler*. In 1996 she married Lehman Brothers banker Arnaud Massenet (he is currently a managing director for Gottex Fund Management Europe). By 1998 she was living in London and expecting the first of her two daughters. Deep

MASSENET WANTED TO CALL THE SITE "WHAT'S NEW PUSSYCAT?" BUT RELENTED BECAUSE OF THE TRAFFIC IT COULD ATTRACT.

down she knew she wanted to start a business. "I didn't want to be that person at a dinner party just saying, 'I could have been, I could have been.' And I had fallen in love with my computer, and I found myself talking to friends of mine who had fashion businesses and saying, 'Oh, my God! You have got to go online. You can sell directly to your customer worldwide. This is how I want to shop.'" One day Massenet stopped by a Barclays bank and picked up a pamphlet titled "Are You an Entrepreneur?" "I called



NET SET FROM LEFT: PAUL LAYTON, DIRECTOR OF OPERATIONS; PAUL BRENNAN, HEAD OF MERCHANDISING; NAOMI HEWITT, HEAD OF HR; ALISON LOEHNIS, VP, SALES AND MARKETING; NATALIE MASSENET, FOUNDER AND CHAIRMAN; STEPHANIE PHAIR, DIRECTOR OF THEOUTNET.COM; CLAUDIA PLANT, EDITORIAL DIRECTOR; MARK SEBBA, CEO; AND IANTANSLEY, VP, E-COMMERCE, POSE AT NET'S FUTURE OFFICE IN WEST LONDON.

Arnaud and I said, 'Honey, I'm starting a business!' And I think he said something like, 'Great! What's for dinner?'"

To launch the business Massenet needed three things—backers, vendors, and a name for the company. Her initial vendors were friends, including Jimmy Choo founder Tamara Mellon and handbag designer Anya Hindmarch, who immediately understood that there was a potential market of what Massenet dubbed "cash-rich, time-poor" women. Initially she wanted to call the company What's New Pussycat? but she was talked out of it because the name might attract the wrong sort of traffic. So she thumbed through a fashion dictionary until she found her inspiration: *pret-a-porter*, French for "ready-to-wear."

The first round of capital, for \$1.4 million, was raised in 1999; it was followed by a second round in 2004 for \$8.2 million. Her early financial backers—and to this day Net's largest shareholders—understood the concept right away. The first was Carmen Busquets, daughter of a wealthy Venezuelan industrialist. Years before Net launched, Busquets ran a boutique in Caracas called Cabus. Part of what made Cabus special was the way Busquets would attend the

runway shows in Europe and mail images to her best clients, who could then pre-order from the designers. While backing the startup of Net, Busquets personally vouched for Net's creditworthiness to designers with whom she had long-standing relationships.

The site went live by accident on June 10, 2000. Friends and family were the first customers, but then the base expanded to three primary groups: media executives, financiers, and independently wealthy women. (Net does not carry men's wear and has no immediate plans to do so.) Net is now adding new customers at the rate of 1,200 per week.

Two years after the launch, luxury-goods conglomerate Richemont came onboard. (Today, on a fully diluted basis, Richemont and the Busquets family each own 28% of the privately held company, with the Massenet family owning 17%, other founding shareholders 11%, and employees—both past and present—accounting for the remaining 16%) But the business didn't begin to break even until 2004, after Mark Sebba, a former investment banker at Wertheim Schroder, joined the company as chief executive officer. Prior to Net, Sebba, 60, had worked as finance

Anúncio

director of two new-media businesses.

The recession hasn't hurt Net, which seems to be benefiting from the way many women are steering clear of stores but still shopping under the cover of the web—a trend known in the industry as "stealth shopping." Another trend that Net is helping foster is an explosion of unique personal style: Shopping on the web has caused women to lose their hang-ups about seasonality or wearing hemlines at a prescribed length. As Massenet puts it, "The minute you've got a global market, then seasonality is much less important because it is always summer somewhere. And also, with access to so much product all the time everywhere, it's a lot less about equipping yourself for a season than it is about just shopping. The concept of 'Everybody, turn left and wear a mini! Everybody, turn right and wear a maxi!' is over. There's an amazing movement toward individuality."

NET-A-PORTER NOW RUNS the risk of becoming a victim of its own success, with imitators springing up on all sides, and of Massenet walking a fine line between Cinderella and Marie Antoinette in terms of her portrayal in the fashion press. (The website fashionista.com recently ripped Net for holding up an \$11,255 jumpsuit as the "ultimate in status style.") More vexing is that eBay and Amazon.com may soon expand their fashion e-tailing efforts. Merchandise not sold at auction now accounts for roughly half of eBay's business, and executives at the company have been reaching out to high-end designers about creating their own virtual kiosks. Unlike Net, eBay has no plans to buy inventory; it will just provide virtual real estate for designers. Amazon too may be getting into Net's kitchen with its acquisitions of Shopbop and Zappos.

Then there are Richemont's rival luxury conglomerates—LVMH and PPR (for more on PPR, see "The New King of Luxury"). Some of PPR's brands, like Stella McCartney, sell merchandise to Net; others, like Gucci, which has e-commerce sites in 10 countries, do not. Prada and Louis Vuitton have also eluded Net's reach. Speaking of Vuitton, its parent company, LVMH, is in a state of flux when it comes to its e-commerce: The company shut down the

shopping portion of its site, eLuxury, this summer. But LVMH brands, including shirtmaker Thomas Pink and beauty retailer Sephora, have e-tailing sites.

Regardless of who enters its space, Net's attitude is "Bring it on," since the same tactics that have allowed the company to show exponential growth during the recession—innovation, global reach, and an authoritative fashion voice—will probably help it remain a few clicks ahead of the competition. This summer the company was the first luxury retailer to go live, with an application for the iPhone that allows customers to shop directly and securely with just a few finger motions.

Arguably the best gauge of Net's rising importance as a retailer and an arbiter is where Massenet now sits at fashion shows: in the front row. "When I started, we were all in standing room only," says Holli Rogers, Net's buying director, who joined after stints at Chanel and Neiman Marcus. For Massenet, though, getting to the front row has not been without its sacrifices. "I still haven't gone to read a story in my youngest daughter's class yet, which I keep getting reminded that I need to do," she says.

But ten years into the venture, with a strong management team in place, Massenet now allows herself one indulgence that may sound like heresy to fellow web entrepreneurs. Her recently purchased weekend house in Wiltshire, England, is beyond the reach of cellular service, so on Friday nights when she and her husband are driving to the country, she turns her BlackBerry off for the weekend.

Come Sunday nights, though, the rattle and hum of e-tailing begins anew, and Massenet is thinking expansively. The Net-a-porter formula may be scalable, and Massenet has plans to add new lines. Not every ex-stylist clutching a pamphlet from Barclays would have had the foresight, as Massenet did back in 1999, to register several domain names, including pret-a-beaute.com and petit-a-porter.com. And those domains may become live sites of their own. So look out, Beauty World. Watch out, Retailers of Children's Clothes. Massenet may soon be disrupting your world.

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