

## EAST

## MARY KATRANTZOU

ESTABLISHED: 2008

USP: Fashion designs that incorporate high-impact digital prints

## LN-CC

ESTABLISHED: 2010

USP: Online- and appointment-only bricks-and-mortar concept store

ANGEL

BETHNAL GREEN

OLD STREET

SHOREDITCH HIGH STREET

## FAR FETCH

ESTABLISHED: 2008

USP: Curated market place for independent fashion boutiques

## DISCOVEREDD

ESTABLISHED: 2012

USP: 'Social discovery platform', where the style-and design-minded share images and inspirations

# Techs in the city

London's network of online fashion start-ups and retailers couldn't be more switched on

London is a gilt-edged global hub for art and commerce. An undisputed heavyweight champ. But it is now also a genuine tech contender, a rise up the ranks that has been rapid and more than a little unlikely.

When David Rowan, editor of *Wired UK*, launched his magazine in 2009, it was with some trepidation. 'I was concerned we wouldn't have enough stories about our own home-grown innovators,' he recalls. Indeed, compared to the home of the original *Wired* in California's Silicon Valley, a mecca for international tech entrepreneurs, London's technology community was small, unstructured and lacked the big-time venture capital funds that kept Silicon Valley flush with cash. Indeed, a previous attempt by *Wired* to colonise the UK digital scene, a joint

venture with *The Guardian* newspaper, had lasted just two years, closing in 1997.

Venture funding in London dried up after the first dot-com boom's bubble burst in 2000, the result of an investing frenzy in companies with no workable revenue models. One of the most spectacular failures was Boo, a fashion e-commerce retailer, whose high-profile investors included Bernard Arnault, the Benetton family, JP Morgan and Goldman Sachs. The company burned through \$188m in six months, before being placed into receivership in May 2000.

But only one month later, London would give birth to two start-ups that would, over the following ten years, go on to redefine fashion retailing as we know it. By 2010, when Richemont bought a majority of the remaining interest from Natalie Massenet and other

## HOT SPOT

Old Street roundabout, just north of the City, has been dubbed the Silicon Roundabout and the number of tech start-ups based in the area has grown from 15 to more than 300 in just three years

founding investors, Net-A-Porter was valued at more than \$500m; ASOS, founded by Nick Robertson, reported that profits doubled to more than £30m, on sales of almost £500m. ASOS is currently valued at more than £1bn on AIM, the London Stock Exchange's international market for smaller growing companies. With success stories like these and others outside the fashion sector, 'London has emerged as one of the most exciting technology hubs in the world, and the pace here is only accelerating', says Sonali de Rycker from Accel Partners, a top-tier venture capital firm. 'Companies are clustering in areas such as the Silicon Roundabout,' she says, 'and the cluster is attracting more talent, which is attracting more companies, creating a virtuous cycle.'

In Tech City – as the UK government has dubbed Silicon Roundabout, the »

## CENTRAL



area around the junctions of City Road and Old Street – the number of technology start-ups has grown from 15 to more than 300 in just three years. The pre-eminence of the area was further bolstered by Google opening a seven-storey building there, providing an anchor from one of the world's leading technology companies. This bounce back in the tech sector has been matched by a new vibrancy and confidence in British fashion, at least on the creative front. First Gareth Pugh, Erdem Moralioglu (given a leg-up by creative incubators Fashion East and Fashion Fringe) and Christopher Kane earned international attention, followed closely by Marios Schwab, Mary Katrantzou, Peter Pilotto, JW Anderson, and scores of other designers.

London's rising technology and fashion sectors have intertwined, not least because East London is a magnet for both of these communities, offering, as it does, cheap warehouse space and vibrant nightlife. As entrepreneurs, technologists and creatives have collided, they have begun to define a whole new growth vector for fashion business and creativity.

'Net-A-Porter is as much a technology company as it is a fashion company,' says Massenet. 'I spend almost as much time with my tech peers at events, round tables and research labs as I do at fashion shows.' Digital technology has radically changed the way consumers engage with fashion retail, by adding a layer of experience and editorial on top, but it has also altered the

way London's fashion brands are defining themselves. 'Digital communications is an integral part of our culture at Burberry, so in the end it touches everybody,' says chief creative officer Christopher Bailey, who has helped to rebrand Burberry as a luxury company for the digital age.

Designers like Pugh have been at the vanguard of fashion films, another digital creative strain that started in London and quickly spread around the world. Pugh teamed up with Ruth Hogben, a former assistant to Nick Knight, to create striking films which have been projected onto huge screens in Paris, the ceiling of a 14th-century church in Florence, a loading bay in New York, and, of course, shared on the internet, where Pugh's online followers spread the videos via social media, building an incredible buzz around him and his avant-garde designs.

An essential part of any vibrant digital ecosystem, of course, is talent: engineering talent, developer talent, entrepreneurial talent, and – especially in the world of fashion and luxury – design talent. London has a talent pool that is rich in all of these areas and particularly strong in design and creativity, which is more important now than ever before.

'We don't have Stanford University, but we have Central Saint Martins (CSM) and we have the Royal College of Art,' says Rowan. 'There has always been a cultural edge in London. Had the music industry survived, maybe creative rebels would now be coming up with the modern equivalent of punk. But today it's a more effective channel to go into design-led businesses.'

'What has fundamentally changed is that these new internet start-ups are more about content and less about technology per se,' adds Robin Klein, venture partner at Index Ventures, which has made several successful investments in the fashion technology space, including ASOS and Net-A-Porter. Now that customer service and free delivery have become standard parts of the e-commerce offering, it is the creative elements and the innovation in business models that make a difference.

Katrantzou, who studied at America's Rhode Island School of Design, as well as CSM, believes London marries cutting-edge creativity with a bias for innovation and individuality. 'When I did my BA in America, digital was considered taboo and there was a brief for every single project,' she recalls. 'At CSM, [I was] left to my own devices, but that's what made me think independently,' she says, adding that CSM fashion MA course director Louise Wilson pushed her along the digital printing path. 'She asked me: "How is it going to be different from Chanel, from Comme? How is it going to be yours?"'

'Entrepreneurs are the new celebrities, the new rock stars. They have become >>

## Digital Londoners: the word on the street

**Christopher Bailey**

*Chief creative officer, Burberry*

*'London is hugely inspiring and has always brought together so many different creative ideas and cultures.'*

**Roberta Benteler**

*Founder and managing director, Avenue 32*

*'Thanks to online pioneers like Net-A-Porter and ASOS, London gives access to some of the industry's best skilled staff.'*

**Frederic Court**

*General partner, Advent Venture Partners*

*'With flexible labour laws, access to global talent and English as the universal business language, London is a natural entry point into Europe.'*

**Sarah Curran**

*Founder, My-wardrobe*

*'It's not just about digital experts, it's about the people who understand the fashion sector.'*

**Sonali De Rycker**

*Partner, Accel Partners*

*'London has become a magnet for high-quality entrepreneurs from the UK and other European cities.'*

**Ryan Genz and Francesca Rosella**

*Co-founders, CuteCircuit*

*'It is one of the few places in the world where young firms can innovate, think outside the norm and be celebrated for that.'*

**Kiyan Foroughi and Avid Laziradeh**

*Co-founders, Boticca*

*'In London, you are at the centre of all the time zones, making it easy to market and service all major consumer markets.'*

**Julia Fowler and Geoff Watts**

*Co-founders, EDITD*

*'Conventional wisdom says the best technical products come from the West Coast. We've fostered that state of mind here.'*

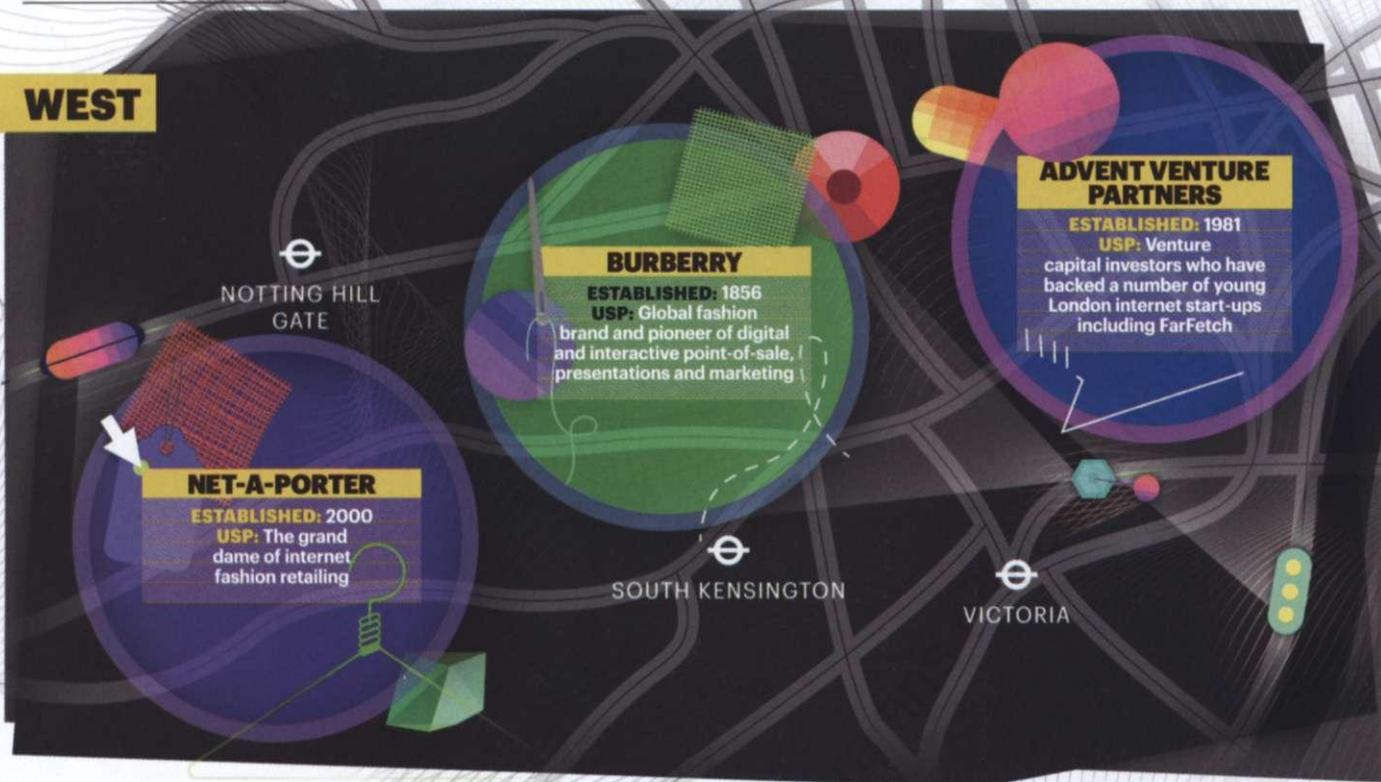


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## WEST



personalities in their own right and this is definitely inspirational,' says Klein, a fact born out of the scores of new fashion technology start-ups trying their luck.

In January 2012, Index participated in an \$18m funding round, alongside Advent Venture, in Farfetch, a curated online marketplace for independent fashion boutiques. In 2011, Index announced \$1.6m of seed investment in EDITD, a trend forecasting start-up. For its part, Accel Partners has invested in Lyst, a social curation site focused on fashion.

But the success of these start-ups in securing private investment masks the wider, ongoing challenge that many UK-based start-ups face in raising capital, something Massenet is all too familiar with. Net-A-Porter struggled to secure funding right from the start, and more than once was on the brink of collapse, not because there was no demand for its products, but because there was not enough capital available to fuel the company's rapid growth.

'Nothing has changed,' warns Massenet. 'Venture capitalists are still hoping to find a magic money-making machine that hasn't been invented yet. There is no magic machine.' The pools of available venture capital are also much smaller in the UK than in the US, and investors are more conservative and focused on the bottom line, unlike their peers in New York and Silicon Valley.

Perhaps the most promising source of new funding is coming from those who cashed in during the UK's internet 1.0 wave, and are now actively investing in the next generation of start-ups. These funds include Atomico Ventures, set up by Niklas Zennström, a co-founder of Skype; Passion Capital from Stefan Glaenger, the first investor and former

#### Jefferson Hack

*Co-founder and editorial director, Dazed Group*

*'London thrives on self-expression and digital platforms such as blogs and independent web magazines.'*

#### Fraser Harper and John Skelton

*Co-founders, LN-CC*

*'A number of our core tech partners are based in the area. This helps us tremendously for business relationships.'*

#### Mary Katrantzou

*Fashion and digital print designer*

*'In London, it is about creating something that is distinctly yours and being able to stand behind it at an early stage.'*

#### Martina King

*Managing director, Aurasma*

*'London is a worldwide hub for many of the businesses and media networks we count as our partners.'*

#### Robin Klein

*Venture partner, Index Ventures*

*'There is a huge amount of creative talent in London in design, fashion, the arts, writing, the media and advertising.'*

#### Tamas Locher

*Co-founder, Lookk*

*'A transparent and reliable migration policy helps companies to assemble great teams.'*

#### Natalie Massenet

*Founder and executive chairman, Net-A-Porter*

*'Tech innovators from all over the world come to London year round because the UK and Europe have as much innovation going on as Silicon Valley.'*

#### Chris Morton

*Co-founder, Lyst*

*'London is home to some of the world's most celebrated designers and publishers; fashion is ingrained in the city.'*

#### José Neves

*Founder, Farfetch*

*'It's amazing to have access – within 45 minutes on the Tube at worst – to some of the best digital companies in Europe.'*

#### Oliver Walsh

*Chief executive and founder, Discoverredd*

*'The heart of old-world fashion is in Europe and we are a short trip away from our clients in Paris, Milan, Stockholm or Zurich.'*

chairman of Last.fm; and Cabus Ventures, set up by Carmen Busquets, the founding investor in Net-A-Porter who controlled about one-third of the company's equity prior to its sale. Busquets recently invested in Lookk, a London start-up designed to create vertically integrated partnerships with emerging fashion designers, from production to electronic retail.

As the fashion and technology sectors look ahead, the UK government is also doing its part. Special visas have been established to lure entrepreneurs and investors to set up shop in the UK, the Seed Enterprise Investment Scheme has been established to foster investment in start-ups, and employees with founding shares in start-up companies are taxed for capital gains at only 10 per cent, encouraging top talent to join.

But possibly the best support in the digital ecosystem comes from the start-ups themselves. 'The community is very important for us. In fact, we organise a Fashion Founders event which meets twice a year to share ideas,' says Chris Morton, founder of Lyst.

As excitement around social, geo-local and mobile technologies continues to grow, the rapid digital innovation of the last few years is set to continue. Some observers caution that sky-high valuations for technology start-ups, especially those in the US, are indicative of another dot-com bubble waiting to burst. But for now, 'London has a unique opportunity to become the digital hub for the creative and fashion industries, not just in Europe but possibly globally', says Frederic Court of Advent Venture Partners. And for once, it is Milan, Paris and New York playing catch-up. *Imran Amed is founder and editor-in-chief of The Business of Fashion*