

THE BATTLE INSIDE GM | CAN AOL BE SAVED?

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SUSAN LYNE ON GILT.COM'S PLEASURES AND PRESSURES

Black Friday, Cyber Monday. Those days go mostly unnoticed at Gilt Groupe, the two-year-old online luxury retailer. The Great Recession has worn down much of the fashion world, but Gilt seems to have figured out how to sell designer clothes and other high-end items despite all the wary shoppers out there. It creates an illusion of exclusivity: Shoppers have to become members (though there's no charge to do so). It doesn't make us feel too guilty since most items are discounted by about 60%. Gilt plays to our impulsive, thrill-seeking selves by putting up new enticements every day, precisely at noon, and taking them down 36 hours later. The privately held company says its main business, women's apparel, is profitable. Susan Lyne became chief executive a year ago after running ABC Entertainment and Martha Stewart Living Omnimedia. She spoke with *Bloomberg BusinessWeek* Associate Editor Susan Berfield about retail—online and off—and Gilt's future.

SUSAN BERFIELD

Bloomberg reported on Dec. 1 that despite a strong Cyber Monday, the outlook for retail spending is discouraging. What's your view?

SUSAN LYNE

I think it's a tale of two cities. Offline retail is going to still struggle. Yes, consumers went for the incredible deals, but not much else. Until people are truly comfortable that the economy is on a real upswing their purchasing is

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going to be significantly restrained. But e-commerce is the beneficiary. One reason is that you can do comparison shopping. People feel more comfortable that what they are buying they are buying at a good price. At Gilt, people who would be deeply uncomfortable spending full price feel like they've saved money, not spent money. There is a psychological lift. And there is pent-up demand. I think people want to shop. It makes us feel better.

You joined Gilt in September 2008 just as the economy started to fall apart. What happened at Gilt?

People kept buying. We never had a day where I could say, "Oh my God, they're not buying because they are afraid they are going to lose their jobs, they are impacted by the downturn." What I realized is that shopping is more than a necessity. It's something that gives people genuine pleasure. Our growth didn't begin when the market turned down. I joined Gilt because it was in hypergrowth. The model works no matter what.

But Gilt benefited because there were so many unsold designer clothes piling up. That's not the case now.

Yes, brands are reducing inventory. There is not the same glut, which is ultimately a good thing. We need a healthy apparel industry for our company to flourish. Wherever we can, we are trying to work with our brand partners to make sure we support their core business.

How do you do that?

We work with 650 different brands. Sometimes we offer to buy a certain number of pieces from a new collection. So we might say we'll take at least 150 of these and as many as 250. If you can sell that extra 100 to the department stores or your retail partners, God bless. If you can't, we'll take them. It's a safety net for the brands.



Gilt.com fashion shoot: The company works with 650 different brands

How much influence do you have with those brands?

We have an enormous amount of data about our customers. We know not only what you buy, we know every sale you visited, every item you clicked on, anything you tried to add to your cart, anything you wait-listed. We give all this information to the brands. And we use it, too, of course. We say, "We want

more of that." We take the brands' excess, yes. But they also make more [of what we request] or they make specific items for us.

Initially your inventory

must have been fairly random.

When we started it was opportunistic. Part of it still is. But increasingly we're saying we're going to need x million dollars of product from this brand in six months. How do we get there? In some cases, it could be a mini-collection or a proprietary line for Gilt. We're focused on that because being able to plan our product pipeline is just as important for us as for any retail business.

So are we going to see a Vera Wang line for Gilt soon?

We're already offering many items that are made just for Gilt. In terms of whole lines, we have signed several

deals. The first will be available in the first quarter of 2010.

Whom have you signed deals with?

I can't say.

Doesn't Gilt operate more like a department store than people might think?

But there's no store in the world that could change its entire inventory in a night. We do that every night. Customers know they'll see something new tomorrow.

What's your biggest threat?

None of the obvious potential threats worry me very much. The real threat is always the equivalent of the kid in the garage in Palo Alto. Our version of that is two smart young women who come up with another addictive shopping experience that disrupts e-commerce. What made Gilt such a fast phenomenon is ... the thrill of the treasure hunt. The real threat is that someone else comes up with the next iteration of that. It's not the me-too sites that worry me, it's what's fresh.

What do you wish you had known when you started?

In some companies, you can approach the different parts of the business separately. Here everything has an impact on the customer experience. We put on a live show every day. Everything has to work. One loose thread can have an effect on the whole business. |BW|

2 million

Members since Gilt's 2007 launch

\$400 million

Expected sales for fiscal 2009