



FEBRUARY/MARCH 2010
SPRING FASHION ISSUE

62

CITIZENS: Alexis Maybank & Alexandra Wilkis

FOUNDERS ALEXANDRA WILKIS WILSON
AND ALEXIS MAYBANK AT GILT GROUPE'S
MIDTOWN HEADQUARTERS



GILT EDGED

HOW GILT GROUPE IS TRANSFORMING THE FACE OF
FASHION RETAIL FROM BUST TO A \$400 MILLION BONANZA

STORY: EDDIE BRANNAN



THIS PAGE: TOP PHOTO BY GUYTON THORNTON; ALL OTHER PHOTOS BY GUYTON THORNTON

CITY

CITY

FEBRUARY/MARCH 2010
SPRING FASHION ISSUE



INVENTORY AND STILL LIFE SHOTS IN GILT GROUPE'S BROOKLYN NAVY YARD COMPLEX

If your office is anything like mine, and the offices of your pals are too, then there is no hotter extra—and intramural e-traffic than sample and friends-and-family sale alerts. We got quite awither at the prospect of Hervé Léger and Alexander McQueen at discounted prices, and I suspect you do too. Alexis Maybank and Alexandra Wilkis Wilson suspected the same thing, but unlike you and I they went ahead and built an internet phenomenon around it, one that was valued this year at \$400 million and that represents a seismic shift in the landscape of fashion retail. Of course you know the name of their business; chances are you are already a member of Gilt Groupe.

For those few among us who aren't yet members, an explanation of how Gilt Groupe works: based upon a model established by the French company Vente-Privée, the company's members are alerted by email to upcoming sales from specific labels. Sales commence at noon, and in theory end 36 hours later; in fact, most items sell out far more rapidly. Items are offered exclusively from a designer's excess inventory and are offered at up to 70 percent off retail, so for the designers, Gilt Groupe provides a perfect way to get rid of deadstock, at the same time providing its fashionista members with the thrill of a high-end bargain. Their relationships were built slowly and carefully, directly with designers, and were helped by both personal relationships (Zac Posen, a longtime friend of the two founders, was the first to sign up) and their bona fides: Maybank had with eBay from its earliest days, and Wilkis Wilson had a strong fashion pedigree earned at both Louis Vuitton and Bulgari in their retail environments, what she refers to as the "full-priced world."

As New Yorkers, both Maybank and Wilkis Wilson had experienced the thrill of sneaking out of work to attend sample sales. "We realized the phenomenon that it is, the hysteria that it creates, and the fact that family members would call us trying to get certain items while we were there," says Maybank. "It would be a great thing to put it online to a national audience, so you don't have to live in Manhattan to go."

Their first sale, on Nov. 13, 2007 was with Posen, and at the time their membership was 15,000, which both founders describe as their extended network, friends of friends. "The first items we sold," recalls Maybank, "were to two women, one in South Carolina and the other in Alabama. Now, granted, we're more concentrated mostly in metropolitan areas, but we do have a national footprint."

As Maybank states, the majority of Gilt Groupe's two million current members are in the major metropolitan markets, and for them the allure is the "convenience, highly edited sales, great friends, and fabulous merchandise that really takes all the hassle out of shopping," as Wilkis Wilson describes. That and thrill of the chase, which is amplified because the customer has no idea how much inventory is available. "We've heard funny stories of customers inviting all of their friends except the ones that wear the same size they do," laughs Wilkis Wilson.

Yet despite the perception that members are getting access to opportunities that were previously garment-only, Gilt Group now operates a lot more like a department store than many of its devotees realize. When I visited their midtown offices recently, the largest swath of employees in the open plan space were buyers, negotiating with vendors for product. Susan Lyne, the company's CEO (who formerly ran Martha Stewart Living Omnimedia and ABC Entertainment) spoke to Business Week about the transformation in the company's tactics. "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." The company shares a huge amount of information with its partner brands. Gilt Groupe tracks every sale its members visit, every item they click, anything they wait-list, and of course they take this information directly to the brands in order to compel them to produce more of an item or a line.

Gilt Groupe's success in navigating this market is significant. The figures reported in the press and released by the company itself largely concur: \$25 million the first year, \$150 million the second and 2010 figures projected at \$500 million. Its net valuation is reported to be \$400 million. So the challenge for Maybank, Wilkis Wilson and Lyne is how to grow the business. In summer the company raised an additional \$40 million in investment, and have added to the services it offers its members. Jetsetter.com offers luxury vacation accommodation on the same discounted-inventory basis, and the company has also launched inroads into men's fashion, and the fine wine and art markets, all strong categories for Gilt Groupe's mostly professional membership (female members concentrate in the 25-late-30s range, Wilkis Wilson states, and have "disposable income but little disposable time").

It seems that Gilt Groupe's destiny is to become something of a concierge service for those time-starved women and men, and the company's growing success reflects just how desirable such a service is, as do the site's growing tail of competitors like Rue La La and Private Outlet. In fact, Gilt Groupe's rapid ascendance and fundamental transformation in the way that many, many people shop has opened the eyes of the 800 pound gorilla in the U.S. online retail room, and may yet confer 800 pound-gorilla status on a relative newbie. Vente-Privée, the pioneer of this business model, which now has over 1,000 employees and 18 photo studios in its vast Paris base and is valued at about \$5 billion, is rumored to be in talks with Amazon about the U.S. online retailer acquiring the French one. Three U.S. companies are reportedly extremely interested in the lucrative European markets, access to which ownership of Vente-Privée provides. As well as Amazon, there is eBay. The third is Gilt Groupe.

For a special CITY reader membership at Gilt Groupe, go to gilt.com/city.

“
We've heard funny stories of customers inviting all of their friends except the ones that wear the same size they do.”

CITY