



# CREATING URGENCY

Online sample sales are giving luxury stores a run for their money.

By Elise M. Diamantini



Gilt Groupe's iPhone app

Nobody's surprised at the growth of online sales, and the shift in consumer spending from brick and mortar to online was exponential this past holiday. (According to the research firm Coremetrics, Cyber Monday sales were up 13.7 percent compared to 2008 and up 24.1 percent compared to Black Friday sales a few days earlier.) Helping to fuel that shift, online sample sales are offering a new venue for clearing out luxury goods.

What do brick and mortar retailers think of these limited time online sample sales? "Of course they don't like them," says retail consultant Steve Pruitt. "But I think they'd rather see it happening there than have [off-price luxury] goods sold online by the vendors themselves. They'd rather compete with a retailer than with one of their vendors."

With the proliferation of online sample sales, conventional luxury stores have some tough competition. The bad economy has helped sites like **Gilt Groupe**, Rue La La and Haute Look increase sales, membership and awareness. These sites are the ideal platform for luxury vendors to sell overstock without cheapening their brands.

Susan Lyne, CEO of Gilt Groupe, said they found through their own research that consumers perceive Gilt as a luxury site and not a discount site. Lyne, speaking at the November Weintraub seminar, elaborates: "It's a truly new model with a different kind of engagement than I've ever seen. It is appointment shopping: every sale starts daily at noon eastern time and with a clear call to action. We sell a limited amount of goods that are available for a limited amount of time [each sale lasts for 36 hours] and that creates a sense of urgency."

While sale sites generally call themselves "invite-only," prospective shoppers have an easy time gaining access. A recent *New York Times* article explored this new retail venue and discussed how luxury brands keep their panache selling on flash sale sites. Says Dave Gooding, the

CEO of Juliska, a luxury tableware brand that sells overstocks on One Kings Lane, Gilt and Rue La La. "[selling items at discount stores is] suicide for a luxury brand, but with flash sales, you have the beauty of it being a one-day sale that is done in a very quick, efficient, tastefully done way, as an alternative for your product sitting on a dusty shelf for six months." The article also maintains that members-only websites ensure that search engines will not locate their products during a search for discounts.

Lyne says that Gilt is actually good PR for a brand and thus increasing as a marketing channel. "We get 75,000 to 100,000 customers looking at Gilt online at noon everyday and a total of 250,000 people by the end of the day—the goal is to sell, but you're also getting your brand in front of all of those eyes."

Are men buying from online sample sales? Gilt Groupe's customer ratio is 80/20 women to men, but after a year of successful men's sales, they've launched a separate site called Gilt Man. "Guys like to be competitive and there's a huge element of hunting and winning on Gilt," says Nathan Richardson, VP/GM of the Gilt Man site. "There's a sense of simplicity to it: We create a destination for men to shop so they don't have the hassle of going into a store." He also mentions a sense of discretion their site has when it comes to men buying certain products. Cosmetics, for example: "Some guys are sensitive going to the skincare counter, but they can buy it on our site from the privacy of their computer without thinking that everyone is peering at them." ■

## Forecast: U.S. E-commerce Sales 2008 to 2013

	Actual 2008	Forecast 2009	2010	2011	2012	2013
Apparel, accessories, and footwear sales (in billions) ..	\$23.6	\$27.0	\$30.9	\$34.1	\$37.2	\$40.3

## Consumers Overall Will Shop Less, But Wallet Share Will Continue To Shift Online

"Given the current state of the U.S. economy, how are you planning to change your shopping habits if at all?"



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