

Gilt Trip

In just two years, Gilt Groupe has grown into an e-commerce powerhouse that is redefining the discount business and making luxury fashion accessible to a whole new audience. **By KRISTEN HENNING**

When it comes to luxury retail, Gilt Groupe has changed the game.

The company's groundbreaking, invitation-only Web-sites have become so popular that even celebrities such as Gwyneth Paltrow are logging on to buy discounted designer shoes, clothing and more. The proof is in the numbers: Amid a rocky retail climate, revenue hit the \$170 million mark last year and is expected to climb to \$500 million in 2010.

Founded in late 2007 by Alexandra Wilkis Wilson and Alexis Maybank, the e-tailer now boasts a membership of more than 2 million people, who hit the sites to score deals of up to 70 percent off retail. And while luxury brands are notoriously wary of dealing with discounters and liquidators, the success of Gilt's unique private sale model has helped convince more than 700 vendors to sign on.

As sales on its flagship site, Gilt.com, have continued to spike, the company has branched out with spin-offs, including Giltman.com for men, Giltfuse.com for younger consumers and Gilt.jp for the Japanese market. It also operates a travel site, Jetsetter.com, offering discounts on luxury hotels.

"The growth has been enormous," said Gilt Groupe CEO Susan Lyne, who joined the New York-based company in September 2008. "There is not a piece of our business that is not up three times over."

To keep the momentum going, Lyne — a seasoned executive who has helmed such companies as ABC Entertainment and, most recently, Martha Stewart Living

Omnimedia — said Gilt is working hard to grow existing categories, as well as explore new ones. "We've got a couple of projects we're cooking up that may surprise you," she said. International expansion also remains a focus, as Gilt eyes opportunities in markets with an appetite for high-end fashion goods.

Footwear News recently sat down with Lyne to talk about Gilt's rapid rise amid a recession, the challenges that come with growing so quickly and the power of word-of-mouth advertising.



Clockwise from top: Gilt Groupe CEO Susan Lyne; designer homepage on Gilt.com; shoes from a recent sale; and Gilt founders Alexis Maybank (left) and Alexandra Wilkis Wilson.

FN: During your career, you've worked for several large, established companies including ABC and Martha Stewart Living. What drew you to a fledgling startup like Gilt Groupe?

SL: It was really [because of] a call out of the blue from Nick Beim [an investor and board member], whom I've known for a long time. He said, "This is going to sound crazy, but give me an hour because I want to tell you about one of our portfolio companies that is on fire."

FN: Why did Gilt do so well last year when others were struggling?

SL: We were on a very different trajectory. It's hard to compare what this company was going through with what [the rest of] retail was facing. But we were just as focused on what the long-term impact of this economic downturn would be on the vendor community in general. We need a healthy, robust fashion business in order to succeed as a company. We really do look at the brands we carry as partners. Where we've been able to help [our partners] get through this period, we've done that.

FN: How has Gilt differentiated itself from other invitation-only sites?

SL: We [set out] to be a luxury and designer brand site — a high-end vehicle to sell goods. The other sites out there are less well-defined. There are some new, younger ones that are carving out niches that are very clearly defined and that have done a good job of branding themselves, but of the three largest private sales sites, Gilt is the most defined and also the one that is most associated with high-end brands.

FN: How has footwear performed in comparison with apparel, jewelry and other categories?

SL: It's an incredibly hot category. Everyone buys shoes. Across the board, [footwear] does incredibly well for us. We do not sell as many shoe brands as we do ready-to-wear brands, so in terms of overall volume, it's not as big, but the sell-through numbers are huge. Our biggest sale ever was our Christian Louboutin sale last April, which literally took our site down. It was the first time we'd sold Louboutin shoes, and we had 250,000 people trying to add the same thousand pairs of shoes to their cart at once. It froze the entire site. ▶



FN: As vendors continue to tighten up on their inventory to weather the tough retail environment, has it been more difficult to find merchandise?

SL: We saw real tightness in inventory in the early part of the fall, no question about that. If I had a do-over, we would have moved even faster to make sure we had a solid inventory pipeline as we looked out into 2010. [The scarcity of fashion inventory] made us be a bit more innovative in the kind of sales we did. [For instance], some of the things we are doing on Giltman.com — skis, folding bikes, artwork — we might not have moved into as quickly had there been a glut of excess ready-to-wear.

FN: Some companies are very careful about where they allow their merchandise to be discounted. In the early days, how did you convince brands to take a chance on Gilt, and has it become easier now that the site has proven so popular with shoppers?

SL: Alexandra and Alexis were the pioneers here. They developed enough early relationships that by the time I came in, we had probably 150 good brand partners. We now work with about 700 brands. That often takes time — it's not a first meeting, it's not a second meeting. [Prospective partners] need to really understand how our site works. Increasingly, brands are looking at Gilt not just as a channel to sell excess inventory [but] also as a marketing [vehicle]. [Our members are] a great market for any brand to either raise awareness or get people to try their brands. One of the things that has been interesting for me to watch anecdotally is that when people buy at full price, they tend to be a little more conservative about the brands they buy. People are willing to experiment more when buying on Gilt. We've introduced new brands to an enormous number of people who otherwise would not have tried them.

FN: Are designers and brands now approaching you?

SL: It goes both ways. There are a lot of brands that reach out to us, but we're also still out there all the time nurturing relationships or trying to break new brands that we know our customers want.

FN: Is there anything Gilt has ever bought that it could not sell, even at a discount?

SL: There is always some product at the end of the day that just doesn't sell. One of the great decisions made early on was to not identify Gilt as a discount site and to make sure that what we offered did not feel like leftovers, but [instead] like a coherent assortment of product from a great brand. Everything we do — from the graphic design to the photography to the way we present the assortment of looks — is all to make you feel that this is the best [selection] of product you can possibly get from that brand.

FN: What price point seems to work best?

SL: The sweet spot is probably between \$100 and \$250. That doesn't mean we don't sell a lot on the higher end and a certain amount of lower-end goods. We did a [jewelry] sale before Christmas and we were selling \$20,000 pearl necklaces. There is no ceiling for our customers.

FN: Membership now tops 2 million. How did the brand build such a massive customer base so quickly?

SL: A lot of it has been by word of mouth. One of the smart things about the way the company is set up is recognizing that if you have happy customers, they're going to be your best marketing tool. By giving people the incentive to invite friends to join, we've actually turned our members into our marketers. There is a geometric growth because one person invites 10 friends and they invite 10 friends.

FN: Apart from the referral program, how else does the company market itself?

SL: We do a lot of local events in cities across the country. Alexandra and Alexis are on the road probably a week



A selection of Sergio Rossi pumps on the main Gilt site.

out of every month to do events. It's a great way for them to [connect with] our customer base, so they try to meet with top customers in whatever city they go into. We've seen that when we seed a new city with hundreds of very engaged, excited new members, it has a ripple effect.

FN: The men's market is notoriously challenging. How is Gilt Man faring so far?

SL: Gilt Man is doing incredibly well. The conversion rates and number of people who visit [the site] are very high. They've tripled the [number of sales offered per day] since they launched because there is nothing like it on the Web. There are a lot of e-commerce sites for women, but nothing for guys who have an eye for fashion.

FN: What new initiatives are on the agenda for 2010?

SL: Last year was all about launching new categories and new stores, so we are focused on building those. We've got Gilt, Gilt Man and Gilt Fuse and [are looking

at] how we can double, triple and quadruple those businesses. But we are always exploring new categories and concepts.

FN: You just launched in Japan. What are the challenges in expanding overseas, and what other countries are you looking to move into next?

SL: We're looking at international on a case-by-case basis. We don't have a strategic plan that says we have to open in X amount of countries. Japan was a clear opportunity because there was no private sale company there yet. It also has a very large luxury business and is a brand-conscious and fashion-forward country. Every country adapts this private sale model to their culture, social mores and tastes, and what we're trying to do is be aware enough of the differences in Japan that we can create an experience that is unique to that country.

FN: What is the importance of e-commerce in retail, and specifically, luxury retail, right now?

SL: Clearly, e-commerce has been benefiting from what is a shift in the whole retail environment. I don't know how much of this is a generational shift or how much of this is people becoming more comfortable with buying online, but there is no question that e-commerce is the growth engine right now. And it's only going to continue. [The Internet] has made it easier to do comparison shopping, which is great for e-commerce companies because so many more people are able to explore a brand, particularly a luxury brand. There is a convenience and an openness to an e-commerce experience that is a huge benefit to any luxury brand.

FN: What was your greatest lesson learned in 2009?

SL: I learned a lot of lessons the hard way about how important it is to think in advance about what you're going to need to scale. As I said, we had a meltdown in our Web platform. [This] drove a sizeable investment in rebuilding our platform, so that it could handle significantly more traffic and transactions. An easy mistake is to focus just on the things that are going to be seen by customers, when in fact, the infrastructure and a lot of the back end is what's going to make customers either happy or unhappy in the long run.

FN: Where do you see the company in 10 years?

SL: One of the big draws for us all was the idea that we could create a company that would be looked at as a defining company 10 years from now, a company that broke new ground and became one of those giants. We're always looking at making sure the quality and innovation of what we do stays paramount. If 10 years from now we can be mentioned in the same breath as an Amazon or a Zappos, as a company that really created something new in e-commerce, we will be very happy.