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CASE STUDY: INNOVATIVE APPROACH TO E-FASHION AT YOOX

Abstract

YOOX is an Italian virtual store offering a mix of fashion products uniquely via its website. YOOX'S idea is based on the use of e-business both to create a direct relationship between fashion brands and consumers and to manage the whole supply process by a techno-logistics platform. In terms of marketing strategy, the innovative idea is that company's communication aims at promoting items from previous years' collections and from other non-conventional sources, pushing not only on price and convenience but even more on the idea that these items are more glamorous and "cooler" because of their uniqueness.

Case Characteristics	
Location of the company	Bologna, Italy – Milan, Italy (Communication Office)
Company size (no. of employees)	80
Turnover in last financial year	36 million euro
Primary customers	Consumers
E-Business Focus	
E-commerce	***
* = in implementation stage; ** = used in day-to-day business; *** = critical business function	

Background and objectives

YOOX is an Italian virtual store offering a mix of fashion products uniquely via its website: items by internationally renowned brands, selected end-of-season items at accessible prices, vintage collectibles and limited editions by cutting-edge designers available only on YOOX.com. A selection of books, magazines, music and artwork is also featured.

The initiative started in July 2000 with the support of investments funds, Venture Capital KIWI (Italy), Net Partners (Italy) and Benchmark Capital (United States). In 2000 YOOX achieved a turnover of 1 million euro, in 2004 the turnover reached 36 million euro, in the same year gross sales were about 42 million euro with a growth of 60% versus 2003. The company has been profitable since 2002.

YOOX operates in Europe covering 25 Countries, in the United States, in Canada and Japan.

Each month the company's website registers two million visitors, 190,000 orders and 400,000 items dispatched through a global logistic platform developed internally. YOOX expansion strategy is based uniquely on the exploitation of the web. The company's website is customised in 28 versions: this differentiation involves different pricing, offer and communication for each single country. The items sold through YOOX'S website are categorized in: women's fashion, men's fashion, baby room, vintage section and talent scout section that are dedicated to young designers. Inside every section, consumers may focus their research by kind of garments, by designers, by size range and by colours. Within these categories, items are broken down to facilitate online purchasing: through the use of filters consumers may make a personalised research over the YOOX virtual catalogue.

Two thirds of customers are women; they look for high quality products and are used to making online purchases. Their age ranges from 19 to 29 years and they are used to spending a considerable amount of money on their fashion purchases.

In terms of marketing strategy, the innovative idea is that the company's communication aims at promoting items from previous years' collections and from other non-conventional sources, pushing not only on price convenience but even more on the idea that these items are more glamorous and "cooler" because of their uniqueness. Coherently with this marketing approach, YOOX's website proposes customers different styles and ideas that can be matched in a personalized way.

YOOX'S marketing strategy supports fashion designers and manufacturers to extend the product life-cycle beyond the sale season, besides achieving a higher visibility on the market. As items are sold at different prices to different customers there is hardly any competition and overlapping with the traditional distribution channel. Pricing and distribution control are agreed between YOOX and its business partners. From a business point of view, it is remarkable that most of the items are not purchased but are charged to the company with the formula "payment upon sale". This turns into a remarkable advantage as the company does not sustain any financial burden related to stocks.

All the items coming from fashion houses, manufacturers, licensees and boutiques are placed in the main warehouse located in Bologna. This warehouse is divided into two sections: in the first one, items are charged and pass the quality control. Then the process comprises: a master data of all the products characteristics (designers, brand, color, size, etc), photographs of the items to be put on the website and the attribution of an 8-digit code. This code comprises all the item's characteristics and it is fundamental for following the whole online selling process. Catalogued items are then stored in the second section of the warehouse in which they are placed in a random way. When an online order is received, the logistics operators visualise the ordered items in their palmtop through the use of RF technology. Then items are packed and picked up. Frequency of picking up from store and delivery is twice a day.

Activities

YOOX developed internally the technological platform supporting its activity. The motivation for this decision is that at that time (2000) the internet hype was at its height and it was quite difficult to find suppliers available to provide solutions at reasonable prices. Moreover, solutions available on the market had not been sufficiently tested and there were concerns that they would anyway need significant customization. The

platform and all the applications currently running were, therefore, designed and implemented entirely by the company's IT staff.

This choice is currently under discussion, and it may be that future developments are outsourced if the degree of complexity is likely to increase further.

The YOOX technological platform manages and monitors the entire process and is fully integrated with external partners' systems. The managed process consists of: warehousing and order management; website management; payments; CRM and the management of a customer care centre.

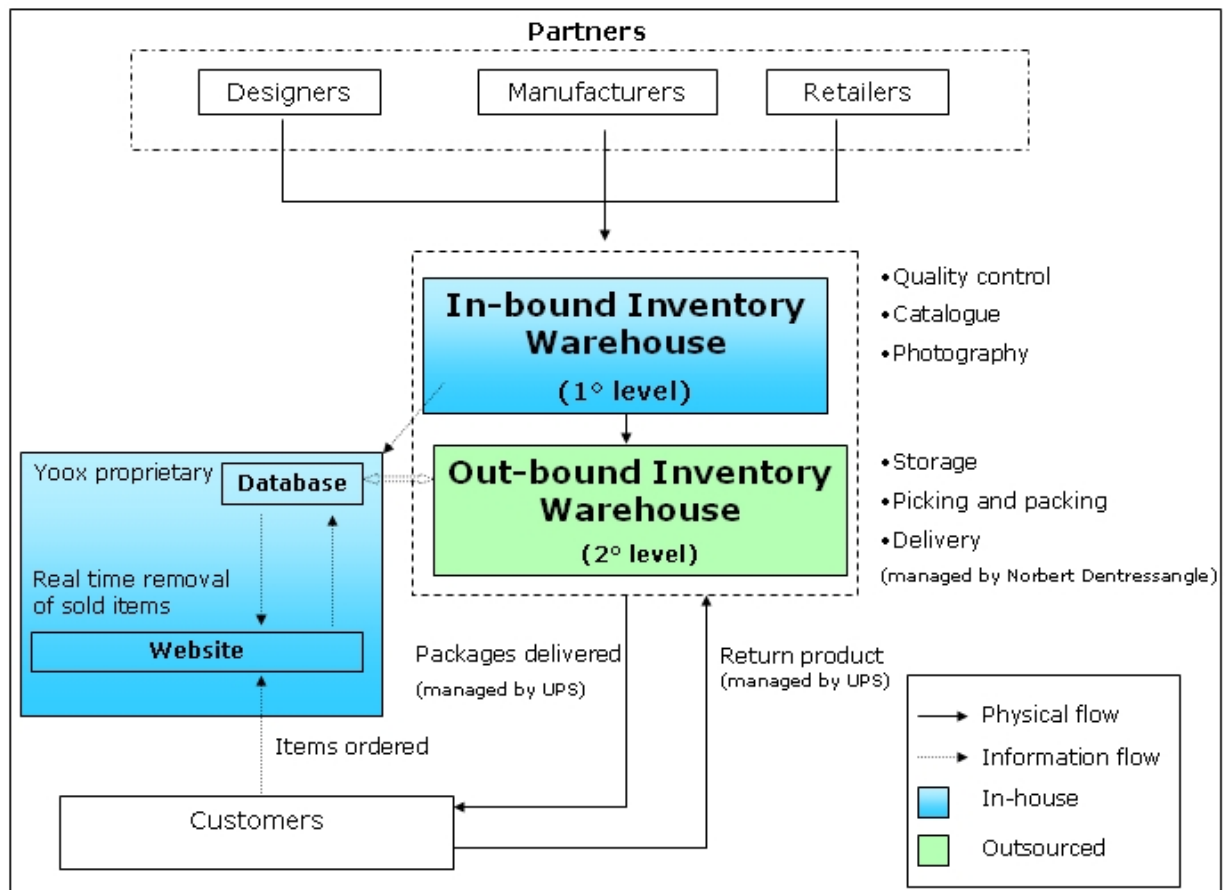
The main activities managed internally are: quality control, cataloguing, photography. Moreover, YOOX decided to develop and manage inside its structure all the activities linked to the technological process both for the back-end (web platform development, system integration) and for the front-end.

Activities like storage, picking and packing and delivery were outsourced to external partners: the picking and packing phase was entrusted to its partner Norbert Dentressangle. The delivery activity was entrusted to UPS.

The Customer Service, that is an important part of the online selling process, is based on an outsourced call center and on an internal customer care team.

An interesting aspect that emerges from YOOX's experience is the exploitation of information that the company is able to achieve and manage about its users through CRM applications. This information is a key driver for the definition of the company marketing strategy.

Exhibit: Flow of operations at YOOX



Although YOOX is a leading edge company in terms of ICT usage and equipment they gave up the idea of developing three-dimensional technology, particularly avatars and e-Garments. After analysis and feasibility studies, they came to the conclusion that these technologies are still too complex, expensive and time-consuming to be implemented on such a large scale (the number of items proposed on the website is between 100,000 and 150,000 according to the various seasonal collections).

Lessons learned

YOOX has not experienced problems in the implementation and upgrading of the system, which had been developed to be fully scalable since the beginning. The company also estimates to have saved on costs, compared to the purchasing of a standard market solution which would have needed customisation anyway. According to YOOX's IT manager, full control of all technologies supporting the company's core activities is considered as a point of strength.

YOOX is also an interesting example of how e-business made it possible to overcome not only the problem of product property description but also logistics and technological problems (such as inventory management and delivery). However, the experience of Yoox demonstrates that further development is necessary to make 3D visualisation of garments more widely usable and accessible in this context.

The main economic and market impacts are the possibility for designers and fashion brands to extend market reach and visibility and prolong a product's lifecycle without creating competition with the traditional distribution channel.

Sources and references

This case study was conducted by Databank on behalf of the *e-Business W@tch*.

References:

- Interview(s) with Serena Mancini, External Relations and Press Office; Gabriele Tazzari, IT manager, April 13th, 2005
- Yoox company report
- Web research

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