

Surfing for haute couture

Experts predicted that women would never shop online for designer items. They were fabulously wrong | Kris Frieswick

UNLIL recently, fashion analysts were convinced that women like Fru Tholstrup did not exist. Ms Tholstrup, a London-based contemporary art dealer and self-confessed fashion junkie, selected and purchased her entire spring 2005 couture wardrobe online. Her behaviour flies in the face of the conventional wisdom among the fashion cognoscenti, who believed that women would be unwilling to put down couture-sized cash for items they couldn't try on first.

Some long-time fashion pundits still aren't convinced. "The couture shopper wants to touch the material, see the fabric and feel the merchandise on herself before she buys it," says Walter Loeb, a fashion industry analyst in New York and pub-

lisher of the *Loeb Retail Letter*. Despite mounting evidence to the contrary, he is confident that women such as Ms Tholstrup do not exist in large enough numbers to make them a viable customer base.

Yet, online retailers are discovering that many women are more than willing to shop for high-end clothing over the internet—provided the service is excellent, the clothing is of the highest quality, and the selection is cutting edge. These are women who know what they want, already know what size they are in Chanel, Narciso Rodriguez and Nina Ricci, and are happy to pay for the convenience of getting exclusive items delivered to their doorstep.

"My initial fear when I started shopping this way was that I couldn't try it on," says Ms Tholstrup. "But the reality is that, if I shop online, I can try it on with other clothes in my closet." And, of course, if it doesn't fit, it can always be sent back. The big saving is the amount of time spent in large department stores, searching for precisely the right thing. Since she started shopping online, Ms Tholstrup doesn't spend much time in traditional designer boutiques any more.

What has made online couture shopping possible are websites such as Net-a-porter.com. This London-based online boutique showcases the latest in couture from more than 80 designers, ships to 50 countries, and (in defiance of all predictions) had sales of over £6.4m (\$12m) in 2003. The founder, American-born Natalie Massenet, expects sales to have doubled to £12.4m for the financial year that has just ended. More than 18,000 customers use the site, spending an average of £500 per shopping event.

Unlike shopping sites such as Bluefly.com, eBay.com and Ashford.com, Net-a-porter.com sells expensive fashions at full price and markets globally—another practice that analysts were convinced was impossible. Its closest competitors are the websites of upscale department stores such as Neiman Marcus (Neimanmarcus.com) and Bergdorf Goodman (Bergdorfgoodman.com) and luxury catalogue firms such as the Vivre Group in New York (Vivre.com). These few have found success in a retail cat- ▶▶





No one thought that seasoned fashion buyers would purchase anything online other than shoes and accessories

► egory that is still finding its feet. But none has as wide and as deep an online selection as Net-a-porter—which at the British Fashion Awards in 2004 was chosen as Shop of the Year for its ground-breaking achievement.

Net-a-porter is celebrating its fifth anniversary this year, marking it as one of the first and longest-lasting luxury websites in the business. Unlike many other retail sites that fizzled with the dotcom bust, Net-a-porter prospered by targeting only the richest consumers. “A lot of the people who built [shopping] sites weren’t thinking about the consumer,” says Ms Massenet. “They were looking to go public in six months.”

The big difference was that, apart from using only £800,000 of investment all told (Boo.com burned through a reported £91m before folding in 2001), Ms Massenet knew the bricks-and-mortar side of her business inside out. She had been fashion editor for *Tatler* and wrote for fashion publications such as *w* and *Women’s Wear Daily*. The employees she hired were experienced buyers, fashion journalists and trend-spotters capable of hand selecting the items for the website—which is refreshed weekly with trend stories, top-ten lists of the hottest items for the coming season, and other value-added content. All of which adds to Net-a-porter’s credibility and makes customers feel confident that they are getting up-to-the-minute fashions from the shows. “You don’t come here for black pants and a white T-shirt,” says Ms Massenet. “You come here for the runway pieces.”

That’s another difference. Most online luxury retailers make the bulk of their money from shoes and accessories. No one thought that seasoned fashion buyers would buy anything online other than shoes and accessories, says Ed Nardoza, editor-in-chief of *Women’s Wear Daily*, the fashion industry’s bible. As a result, many of the top shopping sites (including Neimanmarcus) carry only a limited selection of designer clothing compared with Net-a-porter. This shortage of full-priced designer clothing online is also a result of cold feet on the part of big luxury-goods retailers. “Most of them are being cautious about what they put online because their sites were black holes when they started back in 1999,” says Mr Nardoza.

Whether online or in actual stores, retailers that ended up succeeding in luxury goods generally emphasise selection and service above all. They have figured out that their customers are the type of women who don’t care



how much something costs, as long as there is a cutting-edge selection, items are available, and returns are completely hassle-free. The proposition has paid off. In 2004, Neiman Marcus’s online services (part of NM Direct) saw a 50% increase in sales over the previous year, to \$242m. What the market for luxury goods seems to be saying is that it isn’t the product itself; that, nowadays, is a given. “It’s about the emotional experience,” says Mr Nardoza.

Neiman Marcus has extended its legendary store service to its online offerings—including personal shopping, stylists and free shipping for preferred customers. For its part, Net-a-porter has put a great deal of effort into wrapping. Purchases are gift wrapped in sturdy black boxes with grosgrain ribbon from France. The appearance is meant to evoke the shopping experience of a more elegant age, when uniformed porters would bear extravagantly wrapped parcels to the customer’s home after a day’s shopping in the store. In London, Net-a-porter’s customers receive same-day delivery. The site’s stylists will also select ensembles for frequent customers, and put aside hard-to-find items for them unbidden. “It’s like having a personal stylist,” says Ms Tholstrup.

Problems with getting those luxury goods to the customer’s home have been one of the chief reasons why ►►

▶ there haven't been more couture clothing sites. Designers have been notoriously skittish about selling their creations online. To avoid the problem, Eluxury.com sells only brands that its parent company, LVMH, already owns. NM Direct's sites tend to sell only designers with which Neiman Marcus already has a relationship. Even Net-a-porter had difficulty convincing leading designers to take a chance back in 2000, and launched with only 30 brands, including Anya Hindmarch, Jimmy Choo, Jaeger and Chloé.

"I could not imagine you could sell garments on the web," says Ralph Toledano, chairman and chief executive of Chloé, a division of Swiss-based Richemont Group. Chloé signed on initially with Net-a-porter to sell only accessories. But it is now selling more fashion than accessories. It is also selling online through BergdorfGoodman, the only other website allowed to sell the company's clothing. "Both places love and understand fashion—it shows in the presentation," says Mr Toledano.

Perhaps the most important reason why these particular couture clothing sites are succeeding is because they are dealing with—and understand the nature of—some of the most educated consumers on the planet. These are people who were waiting for a web to happen; waiting for sites to emerge that would provide them with the quality, selection and convenience that they prize more than almost anything.

Jennifer Dufton, a Net-a-porter shopper who owns a Pilates studio in Norfolk, England, and hates to make trips to London to visit the boutiques, says she doesn't need to touch the fabric before buying, because the site has earned her trust. "I know what a cashmere sweater feels like." With so many educated and busy consumers around, luxury-goods makers had better get used to the idea that online retailing isn't only for the great unwashed.

Kris Frieswick is a senior writer for *CFO* magazine in Boston.



Let the good times roll

Rolex is the luxury watch of the everyman. Why? | **Kenneth Neil Cukier**

▶ FOR those of us without a family crest and signet ring, there is a place a few inches above the finger where social standing can still be displayed—the wrist. With its ticking heartbeat, the mechanical wrist-watch is alive and never felt better. And for most people, the very definition of a luxury watch is a Rolex. It has a mystical aura of high fashion, high quality and high price. It is the most popular high-end watch, with an estimated 750,000 sold annually, and even more changing hands each year in the second-hand market.

But for all its prestige, Rolex defies its own image as the epitome of Swiss watchmaking excellence. Despite its 100 years of existence, it is just starting to be accepted by Switzerland's crusty watchmaking establishment. Vacheron Constantin, for instance, is celebrating its 250th anniversary this year.

For another thing, Rolex's origins are not even Swiss. Like other luxury brands that rely on mystique, behind the myth are many lesser-known realities. Rolex watches, while well-engineered and attractive, are far from the most meticulously made or expensive. But then accuracy was never a reason for buying a luxury watch. For that, a digital watch costing \$100 will do a better job. And among watch watchers, Patek Philippe is the timepiece of choice.

The reason for Rolex's stunning success is the firm's genius at marketing to people who aspire to own,

and can afford to buy, the accoutrements of popular culture's nobility. The typical Rolex buyer is "seeking to have something their neighbours and friends either have or wish they had," says David Christianson, a former president of the American Watchmakers-Clockmakers Institute. Rolex has struck a balance between making a product that is just expensive enough so not everyone will own one, but just affordable enough for it to be within the reach of many.

That puts it into an entirely different league to such venerated, but less-known, makers as Patek Philippe, Vacheron Constantin and Audemars Piaget, whose watches tend to start at \$20,000 or so. Of course, there are many excellent watches below \$10,000, such as Jaeger-LeCoultre, IWC, Movado, A. Lange & Söhne and, for the more sporty, Breitling. Most Rolex watches cost between \$5,000 and \$15,000.

It is big business. Last year, Switzerland exported \$9.4 billion of watches, of which \$5 billion-worth were mainly higher-end mechanical ones (costing on average \$1,700 apiece). After Swatch with its cheap, plastic-bodied offerings, Rolex dominates the market. While intensely secretive about its financial affairs, the closely held firm is believed to have around \$3 billion in annual sales. That would give it 60% of the higher-end market. As a brand, Rolex is valued by Interbrand at \$3.7 billion. It ranks 70th among the world's ▶▶