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Valentino, YNAP Look to Next Era

● The new business model will allow customers unprecedented online access to any product they want.

BY LUISA ZARGANI

MILAN – Valentino is building its biggest store in the world but it won't be on any street, plaza or avenue.

Partnering with the Yoox Net-a-porter Group, the Rome-based luxury company is developing a new omnichannel business model called Next Era that will allow customers unprecedented online access to any product they want. Next Era is expected to launch in early 2018.

"We have been working together for 10 years and this project stems strategically from the goal to give effective and modern solutions to our customers," said Stefano Sassi, chief executive officer of Valentino, in a joint interview with YNAP ceo Federico Marchetti at the fashion brand's offices here.

Managing customer needs through phone calls between the boutiques "makes sense only to a certain point," Sassi observed.

"We have to provide structured answers. If you go to Valentino online you will have an almost complete offer. Imagine the biggest Valentino store in the world. Period. The one that represents the most creative efforts made on the collection. Customers will understand that online, they will see everything, and we will aim the site in this direction."

The executive underscored that Valentino's site will make the brand's world "accessible, transparent with a very high level of assistance and the customer will see no trace of the sophisticated technology behind it."

"This is integration and omnichannel to the 'nth' degree," Marchetti said. "It combines all the advantages of all business models, from the inventory at the physical boutiques to [YNAP's] eight distribution centers from Dubai and Shanghai to Milan. Valentino customers will have access to the largest assortment of Valentino products. You will never go in a store and not find what you are looking for."

Valentino customers will also be able to



Federico Marchetti and Stefano Sassi

rely on in-store mobile features such as a smooth checkout flow, full product information and availability of online inventory, and faster deliveries. Through YNAP's technology, combined with the Order Management System in partnership with IBM, Valentino will have a single view of its inventory and a comprehensive profile of its customer base.

"IBM is behind the system that connects the order from the customer, and it gives priority to the product that is the closest," Marchetti explained.

"Visibility of our customers is a patrimony and offers a competitive advantage," Sassi said. "When I started [in this role at Valentino], we didn't know who we sold to and, in a project of repositioning, not knowing who you sold to was a problem. Over the years, we built our CRM [customer relationship management] for a precise reading of the consumer."

Sassi emphasized the importance of "planting a flag. While Valentino partners with many on-liners, the flagship must be ours, customers must go to our site and

this is our point of reference. You must not go somewhere else for information, we must offer superior opportunities. This is our strategic response to the evolution of consumers and we need to say that our site is the point of reference for the web."

Sales at YNAP's online flagship stores, ranging from armani.com to chloe.com, last year were up 17.1 percent to 205.3 million euros, or \$225.8 million, accounting for 11 percent of total revenues. Asked why, in particular, YNAP partnered with Valentino on the Next Era project, Marchetti said "the fact that Valentino is true luxury is one of the factors. As a group we are focusing more and more on luxury and Valentino is quintessentially luxury. The other is a human factor."

Marchetti noted that the partnership with Valentino dates back to 2008, and that the brand has been working with Net-a-porter since 2006. (The merger between Yoox and Net-a-porter took place in 2015.) "The teams work together very well and this means a lot, many innovations and new ideas came from this collaboration over 10 years. Valentino was ahead of many luxury brands and this is the next leap, yet again ahead of its peers. Back then, there were almost no luxury brands online. With Valentino, once again we want to be the first, but this is a project for the Valentino customer, whether online or in-store," Marchetti said.

The Valentino site will be revamped with a new look and a new functionality driven by artificial intelligence, such as on-site personalization and contextual search, allowing customers to use a natural language to interact with the digital store.

"Artificial intelligence applied to luxury seems to point to two juxtaposed worlds, but this is another way to serve the Valentino customer the best way possible. It means you not only serve the needs of that customer but you predict them," Marchetti observed. "Artificial intelligence is like a machine that learns and perfects itself over time, but it's an incredible innovation for the luxury industry, which can guarantee the product ahead of time."

The model also unlocks service improvements to customers of both Net-a-porter and Mr Porter because it integrates the inventory of Valentino's online store

with that of the two e-tailers, leading to a broader assortment and enhanced express delivery options around the world.

Next Era's new functions will allow integrated inventory, which can be managed more efficiently and customers will be able to see what is available on and off-line, from wherever they are browsing.

Although Marchetti insisted less on speed and more on the quality of the service, customers will receive their orders faster than ever as the platform will automatically select the best fulfillment option to satisfy the order.

Asked about Valentino's existing online business, Sassi said the "growth rates are very important." Marchetti chimed in, saying that Valentino "is one of our best-performing online stores, it has always registered growth, also in 2016" and that YNAP's luxury segment is the one "that is growing the most."

"We as a company are obsessed by controlling these vehicles, to guarantee uniformity of behavior and quality, because it's our image, it's fundamental," said Sassi, adding that the company has progressively selected and reduced the number of other online retailers carrying the collection by two thirds.

"There are good and bad guys on the web," Marchetti said. "We have always tried to be good guys for 17 years. The difference is whether you choose to work for the short or the long-term."

"It's not banal in this world," Sassi remarked. "After the first novelties and adjustments, brands must find the partners that are reliable, the same way it works with franchisees, for example."

Given YNAP's agreements with other luxury brands, similar partnerships may ensue, but Sassi underscored "there is a fundamental fact in being the firsts, it's a relevant advantage, and it's driven by a certain kind of relationship."

"We are a company based on innovation," Marchetti observed. "We launched the online flagship stores in 2005, a year later worked on mobile and now it's 50 percent of our sales. This is an innovation and when you do that, you must do it with the right partner. Obviously it's innovation also for others, from the point of view of our strategy, we will deploy it, but in a very selective way and only on luxury. I guarantee this."

"The other brands will have to catch up," Sassi said with a smile.