



Business Model
Gilt Groupe CEO Susan Lyne rolls out new merchandise every day to keep her site fresh.

21 Gilt Groupe

Want to find a fashionista at lunchtime? Try Gilt Groupe. The two-year-old company's daily sample sales have made e-commerce fun and exciting in a whole new way. Gilt grew almost sixfold last year and is on track to hit \$500 million in revenues in 2010. CEO Susan Lyne explains why Gilt is golden.

FC: How is Gilt Groupe different from other Web retailers?

Most online shopping mirrors brick-and-mortar stores. They're not taking advantage of what's uniquely possible online, the heightened sense of entertainment and competition. A big part of the Gilt brand promise is discovery: You come every day and it's new every day.

You've grown remarkably in a recession, especially for retail. How has the economy fueled and challenged Gilt?

In the depths of the recession, we became a safety net for designers, and we bought a lot just so some of our brands could stay in business. We are still trying to create a safety net, but now it's more about "Let us help you take risks again." If a designer believes in six items and thinks they're going to be really big, we'll agree to take x number as a minimum but we'll agree to take as many as y . If they can sell the difference at full price, fantastic. If they can't, we're going to buy them. And that lets them bet on their instincts.

How have you gotten brands to think of Gilt as more than just a place to off-load excess inventory?

You have the permission to experiment on Gilt in a way that develops brand loyalty. We can deliver an incredible amount of information about the product, and we have a direct line to our customers every single day. The day a particular label is on Gilt, traffic to that brand's site increases, across the board. Anecdotally, so many people have told me, "Oh my god, my new favorite designer is..." because they were able to try a new one at a price that felt comfortable. If I'm going to drop \$3,000 on a jacket, I'm probably going to do it on one of my old favorites, a smaller universe of brands that I know and I'm comfortable with. Starting this year, we're going to be selling exclusive items and capsule collections from emerging labels such as Trovata and Yigal Azrouël.

Last fall, you launched a number of subsections such as Gilt Man, and Jetsetter for travel deals. How's the expansion going?

Gilt Man has totally taken off. Our revenue for menswear has tripled since we launched the new site. Part of that is offering more sales a day, but there's also a lot of enthusiasm among our male members that they have their own store. On Jetsetter, one of the surprising things has been how quickly the hotels and resorts have recognized the marketing opportunity. We really had to explain it more to our apparel brands.

Are you worried about all the sample-sale copycats?

One thing that's become clearer to me over the course of the last 16 months is that this is a pretty easy market to enter. But it's very difficult to do well at scale, because the operational aspects of it are incredibly complex. We change out the store every night. Receiving, sale prep, and shipping and fulfillment are massively complex.

I'm more concerned about making sure we're thinking about what the Internet makes

possible. How can we do something again that drives the next wave of excitement in e-commerce? As we offer more and more sales every day, we need to get better personalization. We need to be able to offer you different sales than we might offer somebody in Minneapolis or your mother.

What are your favorite Gilt purchases?

There's a Costume National jacket that I bought that I must have worn a dozen times now. I bought two black fleece Thom Browne coats that I adore.

And the one that got away?

I felt that way about the Jil Sander sale earlier this week. I had marked it, I really wanted to shop it, and I was in meetings until 4 o'clock and the three dresses I would have bought in a heartbeat were gone.

Employees don't get a scoop?

Absolutely not. That would be a disaster.