



Etail's next big thing

Following the stellar valuation of Ao.com, Retail Week highlights other etailers that could make waves

The sky-high £1.2bn valuation of Ao.com and the unwavering growth of Asos, which now has a market capitalisation of £5bn, has put online retail firmly in the spotlight.

Boohoo, which confirmed its intention to float last week, is the latest retailer to take advantage of the growing appetite for etail businesses among investors, both public and private.

The search is on globally for the next dotcom superstar. *Retail Week* takes a look at some of the companies to watch.



SOAK & SLEEP

Former Marks & Spencer boss Sir Stuart Rose put etailer Soak & Sleep on the map when he took up the role of chairman there last November.

Soak & Sleep, which rebranded from Duvet & Pillow Warehouse this week, originally only sold duvets and pillows but widened its offer to include bed and bath homewares – hence the name change. It also revamped its website as part of the brand overhaul.



FRUUGO

EBay-in-the-making Fruugo is a global marketplace run out of an office in the Lake District.

Marketplaces have become increasingly popular among consumers seeking breadth of choice and Fruugo, which sells everything from clothes to electronics, offers the 300 retailers that sell through it a cross-border platform.

The marketplace sells across 23 countries from New Zealand to Canada and enables retailers to start selling overseas with limited start-up costs.

Three quarters of Fruugo's sales are cross-border. Australia is its biggest market, accounting for 21.4% of sales last year.

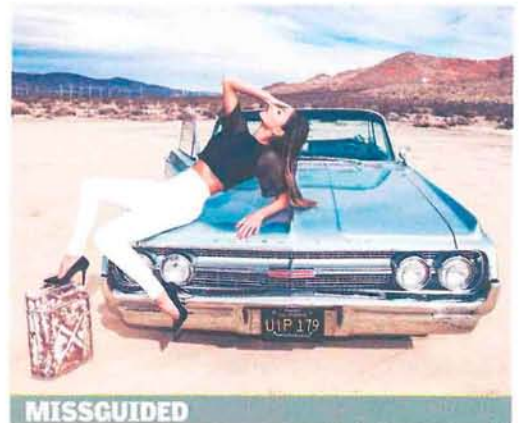
The fast-growing etailer is on course to increase total sales 400% this year and should reach €10m (£8.25m) turnover.

Set up in 2006 by former Nokia chief executive and chairman Jorma Ollila, its management team, led by Dominic Allonby, bought it out in 2012.

Former N Brown chief executive Alan White invested in the business last year during an equity raising and now acts as an adviser to the firm.

Unlike eBay or Amazon, Fruugo does not include individual sellers in its marketplace. Chief marketing officer Glen Richardson says trading only with established retailers helps to guarantee the quality of products.

"FRUUGO ENABLES RETAILERS TO START SELLING OVERSEAS WITH LIMITED START-UP COSTS"



MISSGUIDED

Fast-growing fashion etailer Missguided is a rival to soon-to-float etailer Boohoo and must be on many an investor's watchlist.

The etailer, which was established in 2009 by Manchester-based entrepreneur Nitin Passi, sells trendy own-brand young womenswear and has gained in prominence through TV advertising.

Missguided has attracted many celebrity fans. Pop band Little Mix, singer Ellie Goulding and Disney starlet Selena Gomez have all donned its wares.

Missguided is capitalising on its link with celebrities by collaborating with pop star and former X Factor judge Nicole Scherzinger for a 30-piece fashion line named Nicole x Missguided that launches this month.

The etailer's growing reputation has helped boost performance. Turnover soared from £8.7m to £28.8m in the year to March 31, 2013 and pre-tax profit rose from £725,000 to £3.2m.

Missguided is expanding rapidly overseas and has launched sites in the US, Australia, Europe, and a Chinese site is in the offing next year.

Sales of just £2.5m came from overseas in the 2013 financial year but Passi told Retail Week last year that he expects it to account for 30% of sales by April. Like Asos, Passi believes overseas will be a bigger market than the UK for Missguided.

Missguided sells only from its website, having shunned requests from retailers including Asos to sell on its site. It has a fulfilment model that competes with the biggest and best retailers. It offers free standard delivery and free next-day delivery for orders of more than £40 and offers next-day delivery for orders made up to 9.30pm.

Soak & Sleep says its products cost 70% less than similar goods on the high street. Orders come with a 365-day return policy, and if a customer buys on February 29 in a leap year, the return policy is extended to four years.

The etailer has increased sales from £64,000 in 2007 to £1.2m

Sir Stuart Rose is Soak & Sleep's chairman



now. Under Rose's leadership, it aims to achieve sales of more than £50m in the next four years.

The etailer was founded by chief executive Charlie Hunt in 2007. Hunt previously ran Peacock Blue, a home retail and catalogue company, where he noticed how the duvet and pillow sector was dominated by a handful of wholesalers who controlled high

street supply. He decided to cut out the middle man and sell direct.

● The former boss of beds retailer Feather & Black, Adam Black, has spearheaded a similar launch with bed linen etailer Secret Linen Store. He teamed up with investors including ex-Asos director Jon Kamaluddin to launch the direct-to-consumer ecommerce business in November last year.

BIG STORY ETAILERS TO WATCH



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SOFA.COM

Online is a growing furniture retail market as customers become more comfortable using the channel not just for research but for purchasing too.

Sofa.com offers a bespoke service enabling customers to choose a sofa style and pick from a wide array of fabric swatches.

It also has a showroom in Chelsea for those reluctant to buy before they try.

Sales are soaring, and jumped 35% in the year to February 28, 2013. Pre-tax profits edged up from £985,000 to £1.6m.

Founders Rohan Blacker and Pat Reeves set up Sofa.com in 2006, two years after they sold upmarket takeaway service Deliverance to private equity firm

Active. Late last year they called in advisor Altium to explore options, which could include a full or partial sale.

Sofa.com has already attracted interest from trade and private equity buyers.

Martin Newman, chief executive of ecommerce consultancy Practicology, says the business has developed a very good supply chain model. He observes: "Sofa.com has created the ability to offer multiple SKUs – a la carte sofa shopping if you like – without having to hold too much stock at the same time."

The retailer has identified overseas as its major growth route and already has a showroom in New York, where it hopes to expand, and a franchise business in Holland that it is bringing in-house.

11 MAIN

Chinese ecommerce giant Alibaba is already a well-known name in the industry, but it seems poised to make waves in a new way.

Alibaba, whose interests include online payment and business-to-business services as well as giant consumer marketplace Taobao.com and business-to-consumer site Tmall.com, intends to launch a majority-owned US site.

Little has been disclosed about the site, called 11 Main, other than that it will sell "interesting quality products" from "hand-picked" retailers.

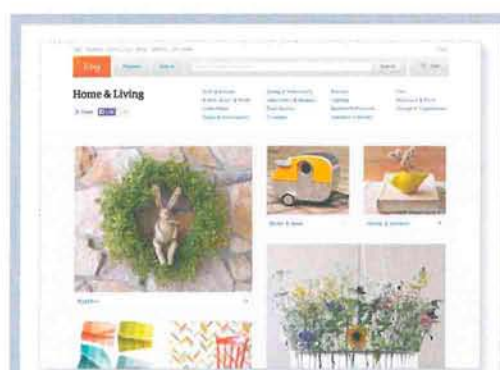
The initiative may be a sign of things

to come from Alibaba. Its sites already account for more than three quarters of all ecommerce in China – a sign of its immense power – and a move into the US indicates it sees plenty of opportunity, even in some of the world's most developed retail markets.

The launch of 11 Main by Alibaba US subsidiary companies Vendio and Auctiva is the latest sign of Alibaba's interest in North America. Last year it invested growth capital in specialist sports goods retailer Fanatics, shipping and retail service ShopRunner and search technology developer Quixey.



"THE LAUNCH OF 11 MAIN IS THE LATEST SIGN OF ALIBABA'S INTEREST IN NORTH AMERICA"



ETSY

The New York-based business is an online marketplace for people who want to sell and buy vintage and handmade products.

It was founded in 2005 by friends Rob Kalin, Chris Maguire, Haim Schoppik and Jared Tarbell. Kalin stepped down as chief executive in 2011 and chief technology officer Chad Dickerson took the helm.

The online marketplace has been booming in the last few years. In 2012 it raised \$40m (£23.9m) in sixth round funding led by Index Ventures and investors include Burda, Union Square Ventures and Accel Partners.

It meant the retailer was valued at \$688m (£412m), more than doubling its valuation in less than two years as Etsy sellers – who number around 25 million – sold nearly \$900m (£539m) of product. It is understood to have been profitable since 2009 and although there has been speculation of an IPO, Dickerson last year said the company hadn't discussed the idea and there was no pressure to sell.

As it seeks more global appeal it has been gaining fans across the UK and Europe, almost doubling growth in the region in 2012 as it focused on France and Germany. It is looking to Australia for further growth.

Newman says: "Etsy is huge in terms of scale. It's a clever model and has become the go-to for arts and crafts. It has driven the 'make and sell your own crafts' market for consumers. Although it's not always the best site from a user experience perspective, there's a lot of really good content."